BORDEN

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ANNUAL REPORT 1982

1982 was the 125th anniversary year of Borden, Inc., the company founded by Gail Borden, Jr. to commercialize his most successful invention, condensed milk. Eagle Brand sweetened condensed milk has been the market leader since its introduction in 1857 as a "pure and safe milk for infants," but its greatest growth has come in its positioning as "The Dessert Maker." Annie Watts, manager of the Borden Kitchens, demonstrates the product's ease of use to a group of students from the Columbus School for Girls in Columbus, Ohio.

BORDEN

Financial Highlights

(In thousands except per share and percentage amounts)

	December 31 1982	December 31 1981	Percent Change
Operating Results (for the year)			
Net sales	**$4,111,277**	$4,415,174	− 6.9
Income taxes	**89,000**	79,500	+11.9
Net income	**165,855***	159,939	+ 3.7
Net income per common share and equivalent:			
Primary	**5.81**	5.45	+ 6.6
Fully diluted	**5.62**	5.20	+ 8.1
Dividends:			
Common share	**2.17¾**	2.01¼	+ 8.2
Preferred series B share	**1.32**	1.32	
Total dividends	**62,068**	59,110	+ 5.0
Capital expenditures	**240,104**	247,500	− 3.0
Financial Position (at year-end)			
Working capital	**$ 477,955**	$ 519,094	− 7.9
Current ratio	**1.8:1**	1.9:1	
Long-term debt-to-equity percent	**32%**	33%	
Shareholders' equity	**1,341,333**	1,318,755	+ 1.7
Equity per common share	**46.99**	44.98	+ 4.5
Common shares outstanding	**28,531**	29,298	− 2.6
Return on average shareholders' equity	**12.6%**	12.6%	

**Includes a net after-tax gain of $28.0 million or $.98 per share from the sales of assets.*

CONTENTS

1982 Financial Review:

Message to Shareholders and Employees

There are few absolutes in business. The performance of a company is always relative, and the choice of criteria determines the result.

Measured against our performance in the prior year, we had a fair year in 1982. Measured against the performance of other companies in the consumer products and chemical industries, we had a good year, and measured against the performance of the economy as a whole, we had an excellent year.

Most rewarding about our record 1982 results, they confirmed the basic soundness of our redeployment program, which is helping to finance a $1.5 billion expansion of our assets. We began the program in 1980, and by the start of 1982 had completed its divestiture phase, shedding low-return businesses or those that no longer fitted our future. Proceeds from the divestitures were largely reinvested in the growth areas of consumer products and chemicals. We also used part of the proceeds to lower our debt, to make acquisitions, to finance ongoing working capital, and to repurchase several million shares—steps that increased our liquidity, reduced our need to borrow at high interest rates, and improved our earnings per share. Without benefit of the redeployment program, our earnings in 1982 would have been substantially under those of a year earlier, our prospects for 1983 and beyond would have darkened, and the market value of our stock almost certainly would have suffered.

Of our three operating divisions, the Consumer Products Division has profited the most to date from our redeployment program. We have unburdened it of low-margin, commodity-oriented operations in sugar refining and bulk cheese; strengthened it with acquisitions and capital projects in snacks, pasta, and non-food home and professional products; restructured its organization, and increased its marketing and research and development expenditures. Largely because of these moves, its operating income in 1982 was up more than 15% from the prior year, and income from ongoing operations climbed 27%.

The redeployment program has enabled us to enhance the geographic and product diversity of our International Division, and this diversity was a key factor in its strong performance despite a virtually worldwide recession. Operating income increased almost 27%. Numerous but relatively small operations, now spread over 27 countries, give the division exceptional flexibility in responding to economic conditions.

Our chemical plants have been brought to peak levels of efficiency through major capital investment financed largely from redeployment, firmly positioning the Chemical Division to benefit from economic recovery. The division, however, was unable to realize the full potential of the modernized and expanded facilities in 1982; the deep recession that affected most industrial markets, especially the major markets of housing and automobiles, substantially reduced demand for our principal chemical products. In addition, the division's costs for natural gas, its principal feedstock, increased some $36 million from 1981, owing to the scheduled expiration of a low-cost contract. Chemical Division income declined sharply, but with help from manufacturing efficiencies and other cost controls it improved steadily through-

out the year; operating income in the fourth quarter accounted for almost 38% of total income for the year.

The underlying purpose of our expansion program is to improve our return on shareholders' equity and thereby increase the wealth of our shareholders. Our objective is a return of at least 15% by 1985, and 18% by the end of the 1980s. To focus on this objective, we established a ROSE program, so-named for the acronym for "Return On Shareholders' Equity." Each Borden profit center worldwide has been given details of the ROSE strategy, and uses it to measure performance relative to all other profit centers. In the absence of a founder, name, or trademark that is common to all our worldwide operations, ROSE has become the one theme that is universally Borden and uniquely Borden. As such, it has become the most important component of our "company culture," which has been defined as an amalgam of the "beliefs, mythology, values and rituals" that, even more than its products, differentiates one company from another. Many observers of business believe that the most successful companies in the 80s will be those whose strategies are compatible with their company cultures. Our ROSE strategy clearly meets that requirement.

★★★

In early October, we informed our shareholders and the financial community that we expected our per share earnings in 1983 to grow by 12% to 15%. Since that projection, several major events have occurred. The first, which is favorable, is the settlement in November of our suit against Texaco, Inc., the details of which are discussed on Page 15 of this Report. The second, which is unfavorable, is the "maxi" devaluation of the Brazilian cruzeiro in February, 1983. Atop these is the widening range of estimates by economists of the relative strength of the recovery, further complicated by a sharp downward trend in world oil prices. After adding this new mix of favorable, unfavorable, and uncertain factors to those already taken into account in arriving at our projection of last October, we now foresee our reported earnings per share, on a fully diluted basis, increasing over 15% from 1982 to 1983.

★★★

One of the great rewards for present management has been the enthusiastic response of our employees to the restructuring program. This program represents a major change in the Company's direction and pace, requiring employees at all levels to take on added workloads and responsibilities. They have done so willingly, with imagination, skill and energy. We are grateful.

We are also grateful to our shareholders for their generous endorsement of management's actions and policies. Our retirees were most supportive, serving as enthusiastic boosters of Borden products and as goodwill ambassadors for the Company. The Board of Directors was a source of strength throughout the year, consistently diligent and constructive in all matters brought before it.

★★★

John J. O'Connor, formerly an Executive Vice President and president of the International Division, was elected to the Board of Directors as Vice Chairman, effective January 1, 1983. He joined the export department of the Chemical Division in 1947, and subsequently served as director superintendent of our chemical subsidiary in Brazil, as vice president of the Chemical Division in charge of international operations, and as president of the Chemical Division. He became president of the International Division upon its formation in 1968, and was elected an Executive Vice President and appointed a member of the Office of the Chairman in 1979.

I have known Jack O'Connor since he joined the Company. We worked closely together in the Chemical Division, where I came to appreciate his qualities as a manager and as a person. His sound judgment and wealth of experience in international business make him a valued addition to the Board.

Eugene J. Sullivan
Chairman and
Chief Executive Officer

Borden Consumer Products

	1982	1981
Sales (in Millions)	**$2,659.9**	$2,795.5
% of Total Sales	**65%**	63%
Operating Income (in Millions)	**$ 181.3**	$ 157.0
% of Total Income from Operations	**62%**	51%

The Consumer Products Division, the company's largest division, had by far its most profitable year. Operating income climbed to $181.3 million, 15.5% above the previous high of $157.0 million in 1981, despite the loss of $14.6 million in profits from discontinued operations. Income from ongoing operations was up $38.4 million, or 27.0%. All six of the division's groups reported record results. The gain in profits reflected stronger emphasis on higher-margin branded products, improvement in market shares, more focused advertising and promotion, organizational efficiencies, and generally more favorable raw-ingredient costs.

Sales declined 4.8%, to $2.66 billion from $2.80 billion in 1981, because of discontinued operations. Sales from ongoing operations, however, increased $78 million, or 3%.

During the year, the division assumed responsibility for the Puerto Rican and Canadian consumer products operations of the International Division. Sales and operating income for 1981 have been restated to reflect the transfer.

GROCERY PRODUCTS GROUP

The Grocery Products Group markets a broad range of brands through brokers and warehouse distribution systems. Five profit centers manage (except for pasta) all domestic non-perishable grocery products, cheese, confections, and all Canadian consumer products.

For the year, the group posted record income, up 28% from 1981. Sales were almost level with the prior year, owing to lower commodity costs and selling prices for several products and the full-year effect of the company's withdrawal from its high-volume commodity cheese business in 1981.

Desserts and Beverages, the profit center responsible for such key products as Eagle Brand sweetened condensed milk, Cremora non-dairy creamer, ReaLemon reconstituted juices, Wyler drink mixes, Wyler bouillon, and None Such mince meat, achieved a 58% gain in income. Four of the six products had percentage increases in volume well above those of their industry categories. The company's Number One market position was maintained in condensed milk, reconstituted lemon juice, bouillon, and mince meat.

Eagle Brand sweetened condensed milk, the company's original product, posted significant volume gains despite the entry of new competition. It benefited from heavy advertising support of its positioning as "the Dessert Maker." Cremora, which has been under intense competitive pressure from low-priced generic products, was stabilized. A low-sodium bouillon that positioned the product in the fast-growing diet/health sector was successfully introduced under the Lite-line brand late in the year.

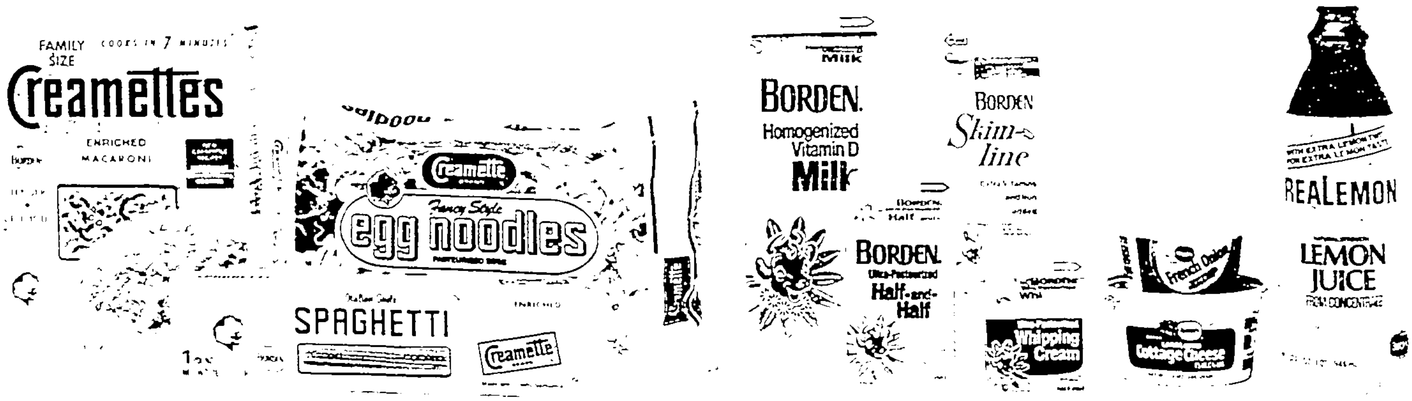
Hi-Protein milk is an exclusive Borden product, positioned in the fast-growing low-fat category.

In the drink-mix category, Borden increased its overall market share by nearly a third, thereby substantially strengthening its Number Two position. Income was up significantly. A line of drink mixes using the recently approved artificial sweetener, aspartame, was successfully tested during the year for introduction in 1983; it provides Borden with an entry in the "no sugar" category, which is expected to be a major growth business in coming years.

Main Meals, the group's profit center responsible for Borden and Lite-line cheese products, Bama jams and jellies, Snow clam products, and Kava instant coffee, had an excellent year, with income up 21%. The cheese operations showed a gain of more than 70% in income, the result of focusing exclusively on sliced process cheese following their withdrawal from the low-margin bulk cheese business in 1981.

Lite-line became more firmly established as the leading brand of cheese in the diet/health category. Market share grew by more than a third, bolstered by new-product introductions, market rollout, and heavy advertising support. Four new flavors of Lite-line cheese were introduced nationally. Cheese Twin, a substitute cheese food, was rolled out to markets covering almost 60% of the population, capturing what is believed to be the Number One position in cheese substitutes.

Bama jams, jellies and preserves maintained brand leadership in their sales area,



BORDEN
HI-PROTEIN
Lowfat Milk

Cracker Jack
Lite Line
REGULAR
Cremora
Campfire
YANKEE DOODLES
WISE
NATURAL FLAVOR
BORDEN
Lady Borden

primarily the Southeast and Southwest. Snow chowders continued as the Number One brand in the chowder category; "Extra Creamy" Snow clam chowder, a premium, gourmet product, was introduced in high consumption chowder markets.

Confectionery Products, the profit center responsible for Cracker Jack candied popcorn, Campfire marshmallows, and candies sold under the Borden and Deran brands, had a 2% gain in sales but income declined from a year earlier because of heavy product-introduction costs. Candy sales were at an all-time high.

Two major new-product programs were put into effect late in the year: the national rollout of Cracker Jack Extra Fresh Gourmet Popping Corn, after highly successful test marketing, and the placement in two test markets of a line of bagged candy under the Borden brand. Early in 1983, distribution of Cracker Jack candied popcorn packaged in a 10.5 oz. Tub will be expanded to reach 50% of the U.S. population. Test marketing showed the Tub pack to be a good source of added volume.

In July, the Cracker Jack Old Timers Baseball Classic was played in Washington, D.C. The game was highly successful both as a sports attraction, attended by more than 29,000 fans, and as a promotional event, gaining extensive media coverage that included a 20-minute film segment during the World Series telecast.

Custom Products, the profit center that manages Grocery Products' contract packing and private label sales, posted a 5% gain in tonnage but dollar sales and income were down slightly from 1981 owing to a softening of prices, particularly for peanut butter and cheese products. Private label cheese business was adversely affected by the cheese surplus resulting from the government's dairy support programs.

Creamette brand's share of the national pasta market increased to an all-time high. A new manufacturing plant is under construction near Phoenix, Arizona.

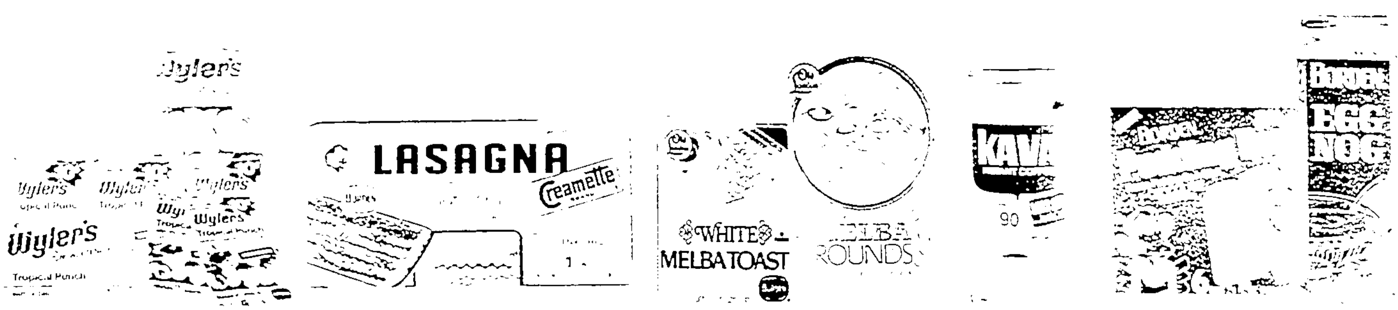
Canada—Consumer Products markets in Canada many of the same brands and products sold in the United States by the Consumer Products Division. The line includes major food products as well as the Elmer's, Krylon, and Du Pont car care brands. In Canada, Borden holds a solid leadership position in the condensed milk, reconstituted lemon juice, lemonade drink mix, and Melba toast categories. In 1982, despite a severely depressed economy in Canada and a significant decline in the exchange value of the Canadian dollar, the profit center registered a 31% gain in operating income on a 1% increase in unit sales. Sales in U.S. dollars were down for the year, reflecting depreciation of the Canadian dollar.

SNACKS GROUP

Income of the Snacks Group was at an all-time high, climbing more than 90% from a year earlier. The increase in sales was modest but reached a new peak. The profit improvement was primarily the result of a major facilities-realignment and capital investment program and another record performance by Wise Foods, the group's largest profit center.

The group expanded its marketing area to the states of Indiana and Michigan with the


Creamettes


Wyler's
LASAGNA
Creamette
WHITE
MELBA TOAST

acquisition of Seyfert Foods, Inc. of Fort Wayne, Indiana, in late August. Seyfert, a manufacturer of potato chips, corn chips, pretzels, popcorn and snack nuts, is a leading brand in its distribution area. The acquisition also gave the Snack Group "in house" capability to manufacture its entire pretzel line.

During the year, the group's Southwest profit center, responsible for the Morton, Dentler, and Dickey brands, consolidated production at its Dallas, Texas, plant, converting a manufacturing facility at San Antonio, Texas, into a sales and distribution branch. The Dallas plant also underwent major capital improvements and is now producing at a cost level equal to that of the group's most efficient facilities. The consolidation and capital investment sizeably improved the profit center's operating results.

The Buckeye brand was introduced to the Cleveland, Ohio, market and gained distribution to virtually all major accounts.

The group introduced two new product lines throughout its marketing area: Single-serve sweet and salty snacks, and four varieties of snacking nuts packed in 12-oz. canisters. To promote their sale, the group created unique merchandising displays called "Krunch Qube" and "Nut Gallery." Volume sales are ahead of pre-introductory projections.

SPECIALTY PRODUCTS GROUP

The Specialty Products Group, consisting of three profit centers—pasta, aseptic products, and industrial products—had its best year ever. Sales and income were up over 15%.

The group's two pasta operations, Creamette and Luxury, enjoyed excellent growth,

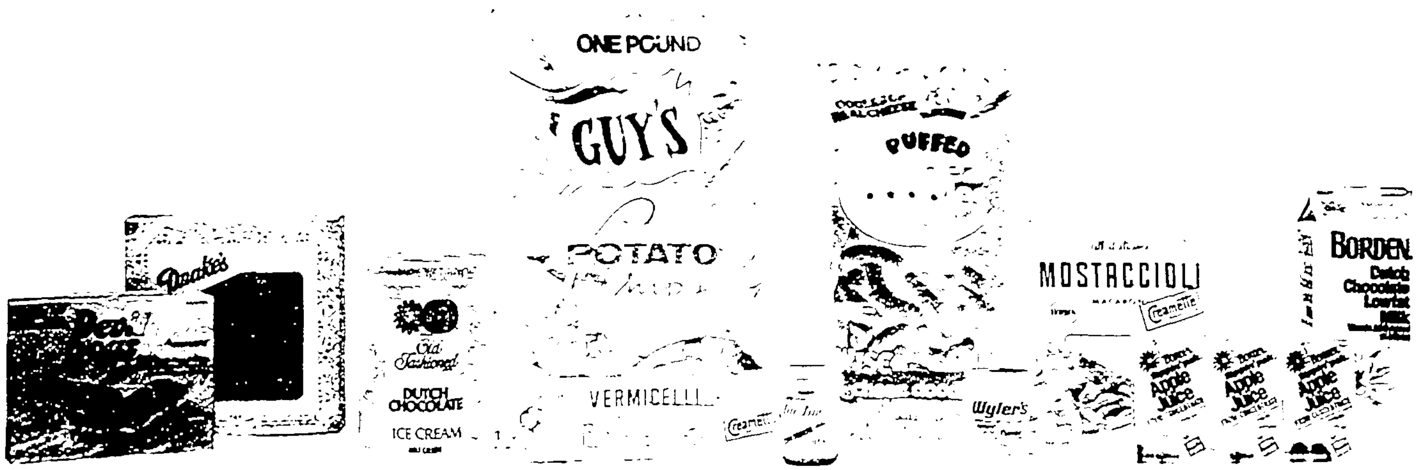
Sales and profits of Borden snacks were at record levels. Snack distribution was extended to Indiana and Michigan.

with the Creamette brand's share of the national pasta market increasing to an all-time high.

To serve fast-growing markets in the Southwest, a new pasta plant is being built at Tolleson (near Phoenix), Arizona. It will produce the Creamette product line. Upon its scheduled start-up in July, 1983, the profit center will have three strategically located pasta facilities. The others are in Minneapolis, Minnesota, serving the Midwest, and New Orleans, Louisiana, serving the Southeast.

Aseptic Products was formed during the year as a new profit center under the Specialty Products Group in order to exploit the division-wide product applications and potential of aseptic processing. Aseptic processing was previously conducted by the Dairy Group.

Borden was one of the first companies to use aseptic technology in the United States and was the first to introduce aseptically packaged orange juice, in 1981. Based on highly successful test results with Sippin' Pak 100% pure orange juice, two new pure juices—apple and grapefruit—were added during the year, and distribution was expanded to a wider area in the Southwest.



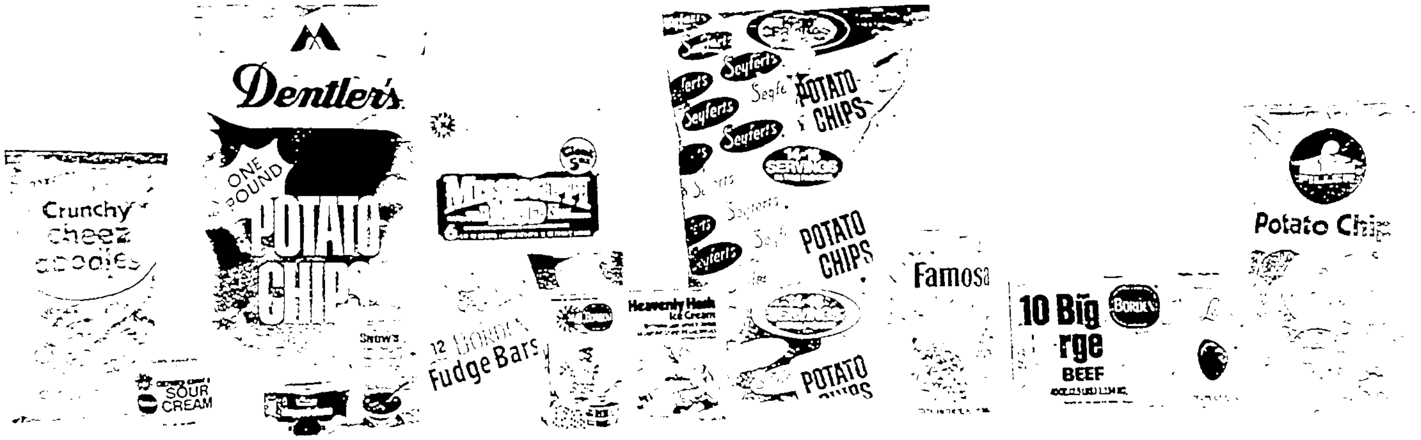
Production capacity was enlarged twice at the current facility, at Sulphur Springs, Texas, and aseptic processing lines will be installed early in 1983 at plants in Birmingham, Alabama, and Wellsboro, Pennsylvania.

The group's Industrial Products profit center had an outstanding year, with both of its units registering substantial increases in income. Galloway-West/Borden Industrial Foods produces specially formulated dairy-based products for the food industry. Borden Food Products produces a broad range of food ingredients, including citrus juice concentrates, encapsulated flavorings, dried cheese powders, and cheese substitutes.

BAKERY/PUERTO RICAN OPERATIONS GROUP

The Puerto Rican operations, previously under the International Division, were transferred to the Consumer Products Division in order to establish U.S. mainland distribution of Borden products made exclusively in the Caribbean area. The newly formed group posted a 27% increase in income on slightly over a 2% rise in dollar sales.

Drake's expanded its successful line of premium family-sized boxed cakes, introduced in 1981, with the addition of two varieties of an all-butter pound cake. Further additions to the family-sized line, including doughnuts and baked pies, are being test marketed. Record sales were achieved for an improved line of all-natural fruit-pie snacks, following completion of major capital additions that contributed to product quality and raised capacity by more than 25%.



In Puerto Rico, the main food manufacturing complex at Bayamon will be expanded in 1983. The expansion will provide for the production of a line of bottled mixes, currently made by a contract packer and undergoing test marketing.

DAIRY GROUP

The Dairy Group had another record year, its income rising 11% on a 1% increase in sales. Continued market growth in the Sun Belt and an improvement in the profit performance of northern dairy operations accounted for the higher results.

Wholesome Dairy, Inc., of El Paso, Texas, was acquired, strengthening the group's market position in the fast-growing West Texas area.

Lady Borden ice cream enjoyed exceptional sales gains, benefitting from richer formulas, new flavors, and a new half-gallon container that together enabled it to capitalize on a strong consumer trend toward premium-quality ice cream.

Borden Pudding Bars were introduced in all markets and given an outstanding reception by consumers and the trade. Sales of the frozen novelty, which is pudding on a stick, have accelerated rapidly. Another novelty was placed in test markets: Rainbow Fruit Bars, made with natural fruit in five flavors. Novelties have become one of the Dairy Group's fastest growing categories, and are being given increased support through advertising and promotion, capital investment, and new-product development.

Capital expenditures for the group were at an all-time high. A major modernization of the Houston, Texas, milk plant continued, and projects were undertaken to increase capacity at ice cream plants in Amarillo, Texas; Baton Rouge, Louisiana; Orlando, Florida, and Pittsburgh, Pennsylvania. Most of the expenditures are for facilities to expand novelty production.

HOME AND PROFESSIONAL PRODUCTS GROUP

The Home and Professional Products Group had an outstanding year, supported by record performances by the Krylon and Elmer's brands and the addition of two new profit centers, Car Care Products and Sterling Plastics. The group's income was up 76% on a 30% gain in sales.

Car Care Products became a profit center in June with the acquisition of E. I. du Pont de Nemours and Co.'s line of car care products. The line includes waxes, polishes, cleaners and sealants under the Rain Dance, Rally, and No. 7 brands and "performance" products, such as radiator chemicals and gasoline additives, under the Du Pont trade name. Rain Dance is the leading brand of car wax in sales through mass retailers, and the full line holds a strong Number Two market position.

The car wax market grew 5% in units during 1982 but is expected to grow at a faster rate in 1983 as total car registrations increase. There is a strong trend toward ease-of-use products, formulated for faster application and removal than conventional products on vehicles with a finish in good condition.

The DuPont line of "appearance" and "performance" car-care products was acquired during the year and assigned to the Home and Professional Products Group. Rain Dance is the leading brand of car wax in sales through mass retailers.

The Krylon line of spray paints had an outstanding year, with significant gains in new distribution to its three markets: consumer, automotive, and industrial. Income was up 77% on a 10% increase in sales.

Long the leader in the decorator category of spray paints, Krylon in the fourth quarter entered the rust-prevention category with a line of Rust Magic colors. Also introduced late in the year were Krylon Vinyl Rich colors, which are liquid vinyl, not paint, and Krylon Kontrol-Tip touch-up colors in bottles, for domestic and imported cars.

Sterling Plastics, a leading supplier of school and office supplies, introduced several new products, including storage systems for computer and word processing data.


RAIN DANCE
WEATHER GUARD


RAIN DANCE
PASTE CAR WAX
Rally
EASY CARE FORMULA
RAIN DANCE
WEATHER GUARD
RAIN DANCE
Showroom Finish
diet scale
WITH FOOD TRAY
ELMERS
TUB CAU
ELMERS
WONDER
PLUS
ELMERS GLUE-ALL
CONTACT
ELMERS
CARPENTER'S WOOD GLUE

Borden Chemical

	1982	1981
Sales (in Millions)	**$679.6**	$898.4
% of Total Sales	**16%**	21%
Operating Income (in Millions)	**$ 26.8**	$ 83.2
% of Total Income from Operations	**9%**	27%

Operating income of the Chemical Division was down sharply in 1982 because of lower volume and profit margins related to increased natural gas costs and continuing recession in the two major markets served, automobiles and housing. Operating income fell to $26.8 million, from $83.2 million in 1981, a decrease of 67.8%. Sales were down 24.3%, to $680 million from $898 million. The figures for 1981 have been restated to include the Canadian chemical operations, which were transferred from the International Division in 1982.

From a low point in the first quarter, the division's performance improved throughout the year as a series of measures were adopted to help offset the erosion in principal business areas. Aggressive solicitation of specialty manufacturers, new-product developments, plant consolidations, the diversion of feedstock to high-margin products, and the shutdown of high-cost lines producing overly competitive chemicals slowed the decline in profitability. The division also had the full-year benefit in productivity of new facilities that had come on stream during 1981, notably PVC (polyvinyl chloride) and OPP (oriented polypropylene) packaging films, decorated vinyl film, and methanol.

Borden is the leading supplier of formaldehyde-based adhesives to plywood and particleboard manufacturers, whose largest market by far is the housing industry. The division's operations serving the housing industry succeeded in maintaining market share in a market where in-place capacity exceeded need as housing starts plunged to their lowest annual rate in 36 years. Although competitive pressures pushed selling prices lower, the effect on margins was offset to some extent by better operating efficiencies, achieved through process modifications to reduce energy usage, improvements in production methods for formaldehyde, and realignment of manufacturing facilities in order to focus on the most active markets.

To exploit an emerging and highly promising sector of the forest products industry, plants at Sheboygan, Wisconsin, and Fayetteville, North Carolina, were expanded to accommodate the production of specially formulated phenolic resin adhesives. These are used in the manufacture of structural boards made with fibres or strands from secondary tree growth. The emergence of these new products opens the Midwest and Northeast to major redevelopment of their once-thriving forest industries.

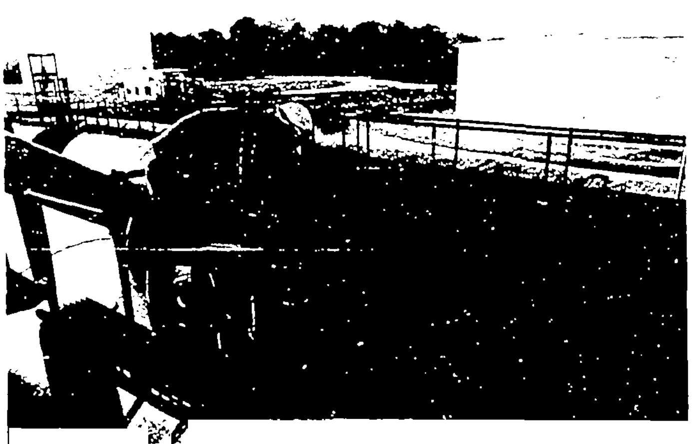
During the year, chemical markets outside the housing industry were given additional direct-sales and technical support. This resulted in an improved product mix and a more stable market as sales were increased to end-use customers in specialized fields: urea and formaldehyde to manufacturers of high-performance resins, insecticides, synthetic fabrics, fabric sizing, and molding compounds; urea to producers of swimming pool chemicals, paper resins, and lawn care products, and ammonia to producers of textiles, polyurethane foam, insecticides, and fungicides.

A 300-million-pound PVC plant, the last of seven major chemical capital projects announced in 1980 as part of the company's $1.5 billion development program, is under construction at Geismar, Louisiana, and is scheduled for completion in late 1983.

Although unit sales of industrial adhesives were down moderately, dollar sales remained close to year-earlier levels because of shifts in product mix. Margins improved slightly as the year progressed owing to a cost-containment program. Business in industrial adhesives, however, is expected to rebound in 1983 and more than offset any continuing weakness in wood adhesives.

Sales of industrial resins were down substantially from a year earlier, reacting to the slump in the automotive and durable goods markets and industry overcapacity. The resins are used largely for foundry castings such as engine blocks, and in molded plastics such as appliance housings. Reformulation of several major products, to reduce raw material costs and improve processing time, helped to ease the severe squeeze on margins. A program is underway to develop additional business in areas outside present markets; one of the most promising is fiberglass insulation, in which dry phenolic resins are used as binders.

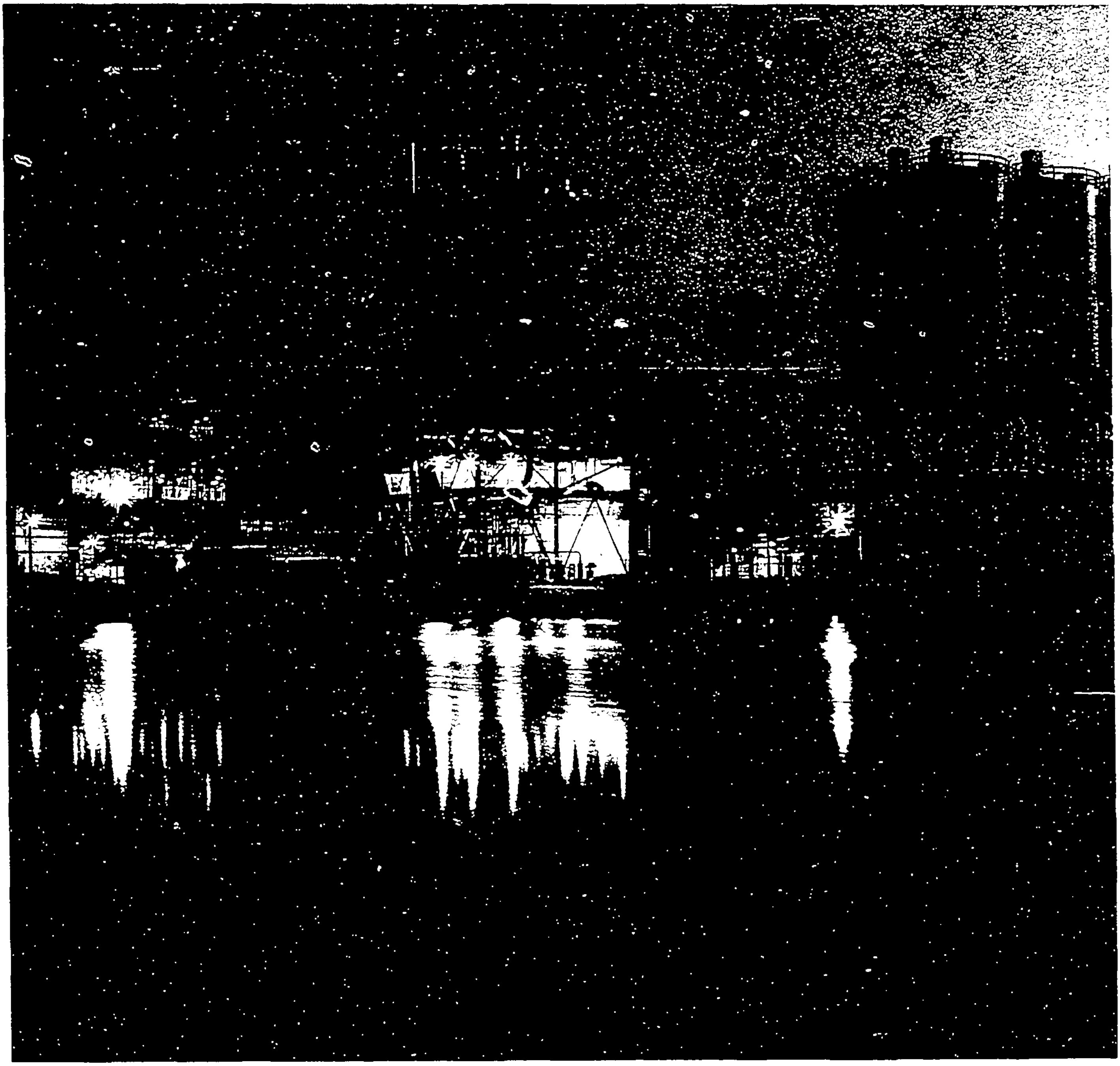
The automotive, housing and construction markets absorb more than 50% of all polyvinyl chloride (PVC) resins produced in the United States. With these markets severely depressed, the division's thermoplastic operations, as a major producer of PVC resins, experienced a sharp decline in results. The introduction of several specialty extrusion- and paste-grade resins, however, enabled the operations to maintain volume sales at year-earlier levels and to increase Borden's share of the PVC resins market.

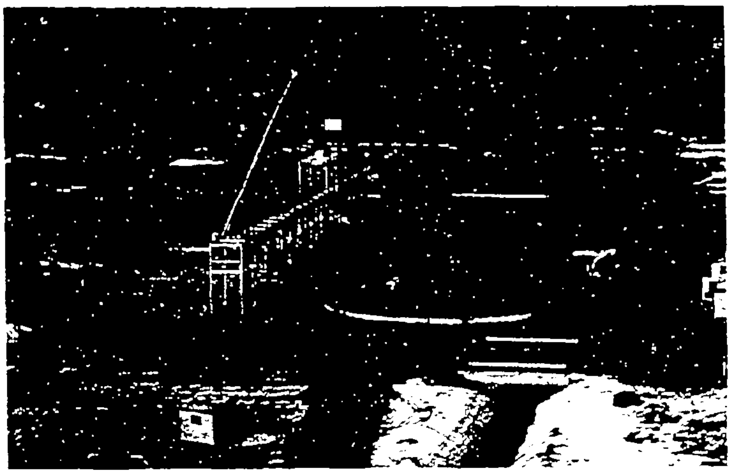


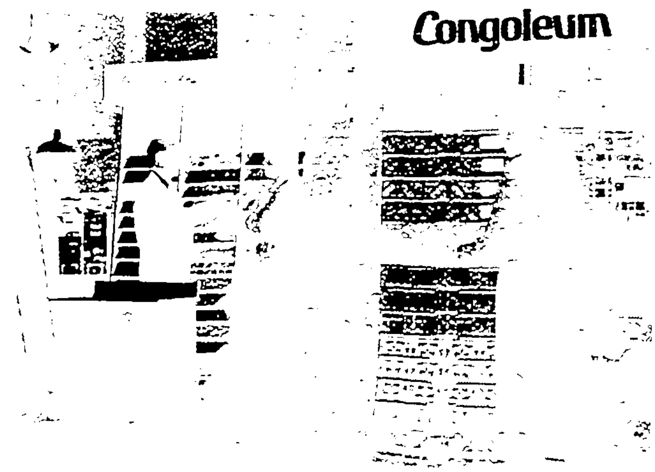
***Left:** A changeover from barge to rail for shipping methanol from Louisiana to Wisconsin has provided faster and more reliable service, simpler logistics, and better inventory control.*

***Right:** A biological treatment facility is being installed at the Geismar complex. Bacteria, mixed with wastewater by compressed air, convert organic wastes into carbon dioxide and water.*

***Far right:** Borden supplies PVC resins to leading manufacturers of vinyl floor coverings, among them Armstrong, Congoleum, Mannington Mills, and Tarkett.*






Congoleum

A PVC plant has been under construction since 1980 at Geismar, Louisiana. Its completion was originally scheduled for the first quarter of 1983, to coincide with the strong economic recovery that had been forecast at the time construction began. When it became evident by mid-1982 that there would be a delay of two or three quarters in the timing of the recovery, start-up of the plant was postponed to the second half of 1983. The plant will be a fully computerized, large-reactor facility, thereby enabling Borden to meet the increased demand for PVC that will accompany recovery, as well as to enter markets that were previously non-competitive.

The division's plastic products operations, which convert PVC and polypropylene resins into finished materials, had a favorable sales year. The operations' performance was paced by OPP (oriented polypropylene) film, marketed under the Proponite brand and used for packaging such products as baked goods and snacks. Benefiting from a doubling of manufacturing capacity, deeper market penetration, an improved product mix, and new products, Proponite achieved significantly higher profits and sales than in the previous year. Product mix was enriched with the introduction of heavier-gauge film, a new broad-temperature heat-sealing film, and a film base for metallizing.

Planning is underway for an expansion, to start in the latter part of 1983, that would increase OPP capacity by 60%.

Resinite brand PVC film experienced major growth in the institutional market (hospitals, schools, delicatessens), an expanding category in which Resinite was able to increase its share of market. However, sales of film to supermarkets for the in-store wrapping of meats and produce were down slightly, while industrial sales, reflecting the economy, dropped substantially. As a result, total PVC film sales were relatively stagnant, while income increased slightly owing to greater economies in production.

A production line for OPP (oriented polypropylene) packaging film at North Andover, Massachusetts. Plant capacity was doubled late in 1981 and planning is underway for a further 60% expansion in late 1983.

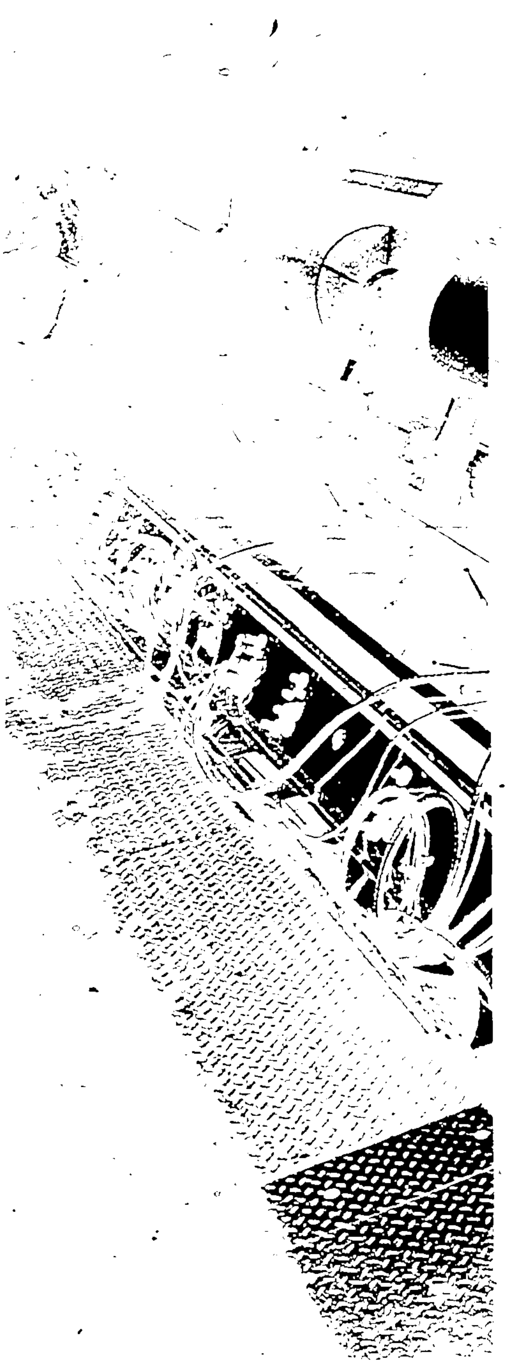
Three new Resinite films were introduced: a shrink film for bundling aseptically packaged products; a film for the stretch wrapping of rolls of carpet, textiles, and paper, and a linear low density polyethylene film for pallet wrapping.

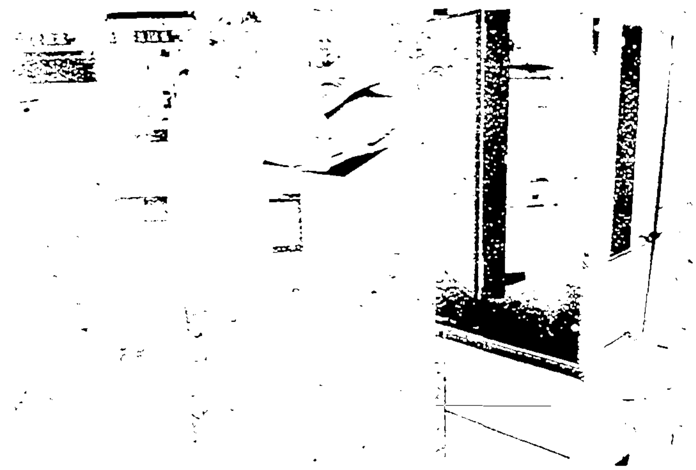
Plastic products' Columbus Coated Fabrics (CCF) unit had a good year, a substantial gain in wallcovering sales about offsetting a decline in sales of calendered and decorative vinyl to industrial customers. Unit sales of wallcoverings increased markedly in the second half, leading to an improvement in market share. Three kitchen designs introduced under the Wall-Tex brand have become among CCF's most successful new products; they feature Corning Glass Works' Corning Ware brand motifs.

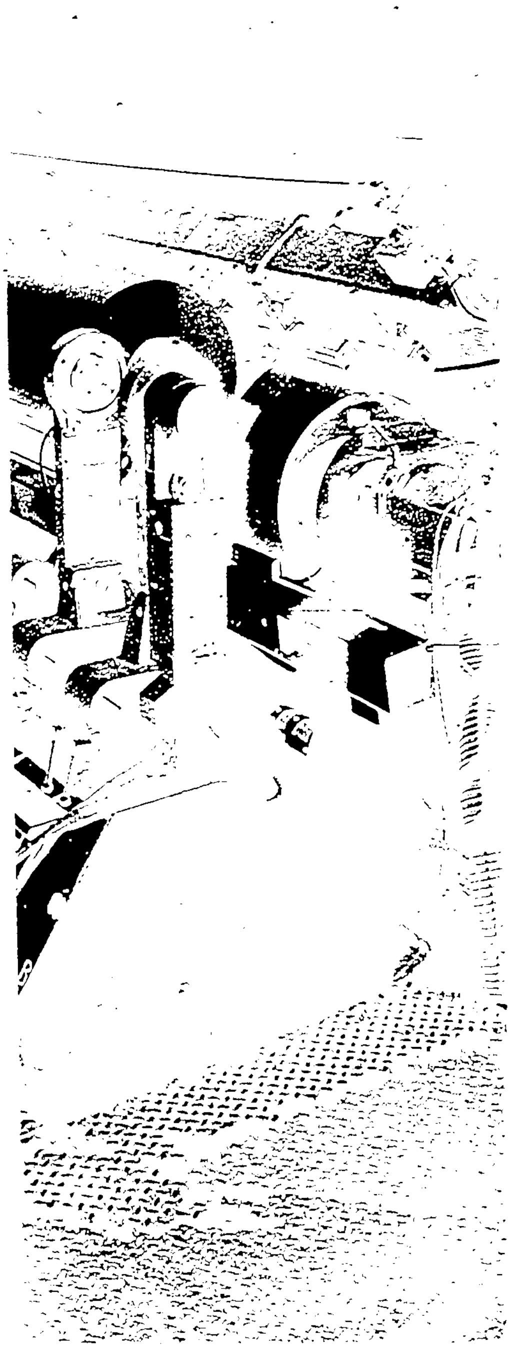
CCF's industrial products operations were severely affected by the downturn in the markets for housing, appliances, and construction.

Results were below year-earlier levels for plastic products' operations at Haverhill, Massachusetts, and Glen Cove, New York, which supply vinyl materials to manufacturers of luggage, upholstered furniture, and consumer goods such as shoes and handbags. The depressed economy prompted the operations to defer until 1983 the introduction of several products that will provide entry into new business areas: roofing, liners for above- and below-ground swimming pools, and medical- and industrial-grade film.

The division's petrochemical operations, at Geismar, Louisiana, had a difficult year. Re-







duced domestic demand for hydrocarbon derivatives, coupled with increased worldwide productive capacity for methanol, ammonia and urea, severely depressed operating margins. Partially offsetting the pressure on margins was the ability of the complex to choose alternative feedstocks in the production of vinyl chloride monomer, and to direct the use of natural gas into the highest-margin products. In addition, the division's ability to consume substantial quantities of the chemicals it produces at Geismar helped to compensate for the generally depressed merchant market.

A major factor affecting the performance of the Geismar complex was substantially higher costs for its principal feedstock, natural gas. A long term, low-cost gas contract expired on schedule at 1981 year end, and replacement gas increased costs by approximately $36 million. In addition, the complex operated without the benefit of low-cost gas under a contract with Texaco, Inc., that was scheduled to run through 1982. Deliveries under the contract ceased at the end of 1980, and as a consequence Borden Chemical's gas costs increased by about $60 million in 1981 and approximately the same amount in 1982.

In November, Borden reached an agreement with Texaco to settle a suit that the company had filed against Texaco following the supplier's notice of termination in 1980, and to amend another existing gas supply contract. Under the agreement, effective in January 1983, Texaco paid Borden $39 million and Borden and Texaco entered into arrangements that provide favorable delivered costs of raw materials to the Geismar complex through 1988. The arrangements provide for a reduction in the cost of Borden's future gas purchases and transportation, and for more flexible use of gas rights. A second Texaco contract, which provided gas through 1985, was limited to the ammonia and urea operations at Geismar, but the new arrangements eliminate this restriction.

Subject to future market prices in the petrochemical industry, Borden estimates that by the end of 1988 the settlement will have enabled it to substantially recoup the amount of added gas costs it incurred in 1981 and 1982 because of the disputed contract.

In addition to the arrangements with Texaco, Borden has contracts with other gas suppliers, running through 1990, and conducts its own gas-development program, which is directed by Borden Chemical's Energy Resources Group. The group's primary focus is the development of proved gas reserves on which Borden holds leases, with some exploratory drilling, but the group also markets Borden-owned gas. Gas sales and income were up almost 50%, despite an industry oversupply of gas and a decline in decontrolled prices.

The division's graphics operation experienced a decline in sales as a result of planned withdrawal from declining markets and the consolidation of ink service facilities. These steps helped to improve profit margins, despite increased pressure on prices from domestic and foreign competitors. The operation increased its share of the publication gravure market and introduced a series of offset inks, Optiglo II, for the high speed, web offset printing market.

The Canadian chemical operations were adversely affected by a severely depressed economy and a sharp drop in the exchange value of the Canadian dollar. To help offset the impact on profitability of a plunge in shipments to a housing industry that reached a virtual standstill, the operations focused on more vigorous markets, with notable success in paper resins. Overall performance benefited significantly from a substantial increase in sales of Resinite PVC film wrap for meat and produce.

A new Resinite plant went into production at Edmonton, Alberta. It will supply the Western Canada market.

Far left: Automatic test system at the Hewlett-Packard Co. computer assembly plant in Cupertino, California. The computer housings are sheathed with Borden decorative vinyl laminates.

Left: Structural boards at the Weyerhaeuser Co. plant in Grayling, Mich. The premium-quality boards are made with fibres or strands of low-quality hardwood, bonded with new, specially formulated Borden phenolic resins.

Right: Borden increased its share of the institutional market for PVC packaging film, the fastest-growing category during the year.

Borden Inc. International

	1982	1981
Sales (in Millions)	**$771.7**	$721.3
% of Total Sales	**19%**	16%
Operating Income (in Millions)	**$ 83.9**	$ 66.3
% of Total Income from Operations	**29%**	22%

The International Division had its most successful year ever, despite a worldwide recession and a strengthening of the U.S. dollar against most foreign currencies. Operating income soared 26.6%, to $83.9 million from $66.3 million in 1981, with the European, Latin American and Asian operations all achieving higher results. Foreign exchange losses declined to $12.4 million from $16.6 million, primarily because of reduced exposure in Brazil. Dollar sales reached a new high of $772 million, up 7.0% from $721 million a year earlier, even with an overall decline in the dollar value of local currencies.

Sales and operating income of the division for 1981 have been restated to reflect the transfer during 1982 of the Canadian and Puerto Rican operations to the two domestic divisions.

EUROPE

Increased market shares, new-product introductions, and entry into new lines of business enabled the division's operations in Europe to outperform an economy that remained mired in the worst recession in almost half a century. Profits in all three sectors of the European group's business—chemicals, foods, and milk powder—were above those of a year earlier.

Chemicals—In the United Kingdom, tonnage sales were maintained through the successful introduction of new products, notably to the foundry industry, food packaging outlets, and the car care market.

In France, an increase in market shares contributed to improved profits. The tape operations did especially well in sales to do-it-yourself outlets. There was a substantial increase in shipments of specialty adhesives to the shoe industry, particularly exports to developing countries. Heller S.A., a manufacturer of plastic model kits acquired in 1981, introduced a well-received line of new models.

In Spain, the chemical operations were confronted with a high rate of inflation and a sharp drop in the value of the peseta against the U.S. dollar, which together substantially reduced profits below year-earlier levels. The successful introduction of a line of industrial adhesives developed in the U.K., however, cushioned the decline.

In the Netherlands, two acquisitions late in the year provided the division with entry into new sectors of the packaging industry. With the acquisitions, the division became a leading producer of multi-layer flexible packaging films, manufactured by a co-extrusion casting process, as well as a producer of thermoformed polypropylene. These products complement the division's business in polyvinyl chloride (PVC) packaging film, of which Borden is the major European supplier under the Resinite brand.

Adria is the largest-selling brand of pasta in Latin America.

A Resinite film operation in Norway achieved a moderate increase in unit sales but a significant gain in income. A film operation in South Africa, administered by the European Group, had a highly successful year.

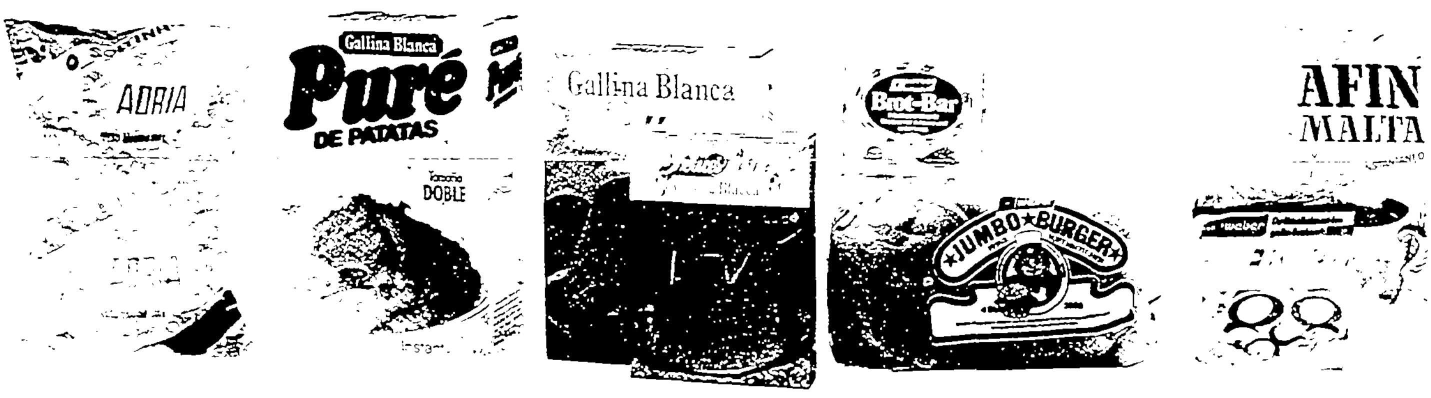
Foods—The bakery operations in West Germany, under the Weber brand, achieved a substantial turnaround in profits, while sales were maintained at year-earlier levels despite a sharp downturn in the German economy.

Gallina Blanca, the Borden food affiliate in Spain, experienced a decline in profits, unable to overcome a sluggish economy that affected market growth of two principal products, dehydrated soups and bouillon broth. The affiliate's African operations, which package bouillon cubes from powder shipped in bulk from Spain, strengthened their market position in every country; Jumbo Cube broth tablets were successfully introduced in Nigeria.

The Spanish snack operations experienced strong sales growth, benefiting from the introduction of a new type of potato chip under the Grill Potatoes brand.

The food operations in South Africa, which manufacture breakfast drink and non-dairy creamer, had record results despite a recession and a substantial devaluation of the country's currency.

Milk Powder—The division's milk powder export business, conducted worldwide by




ADRIA


Crema de
Champiñones
Gallina Blanca
Lady
Borden
ADRIA
O SOLTINHO
ADRIA
ADRIA
O SOLTINHO

the European Group under the KLIM brand, achieved new highs in tonnage, dollar sales and profits, notwithstanding severe economic problems in several of its major markets. To meet the growing demand for KLIM, a new processing plant is being built outside Esbjerg, Denmark, that will have a capacity 80% greater than a 30-year-old nearby facility that it will replace. Start-up is scheduled for the second quarter of 1984.

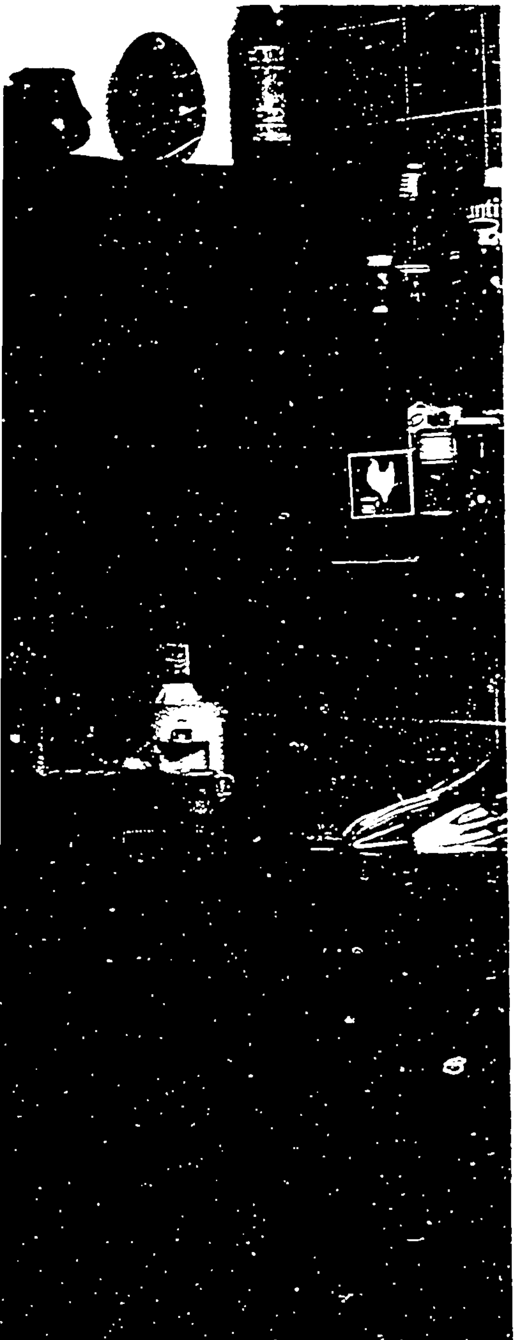
The milk powder plant at Mallow, Ireland, shared KLIM's growth, its profits registering a substantial increase, and the Irish can-manufacturing plant at Athy, which supplies the powder plant with cans, benefited in turn. The Athy plant furnishes 75% of all the cans used by milk-powder producers in Ireland, as well as cans used by pharmaceutical and other manufacturers.

In Denmark, a subsidiary that produces Cocio brand bottled chocolate milk had another successful year and continued to dominate the market in this product category.

LATIN AMERICA

Economic recession was pervasive throughout Latin America, but its depth in each country was affected by that country's inflation rate, balance of payments position, degree of industrialization, and the severity of corrective measures, such as price controls and import restrictions. Confronted with this mix of conditions, the division's Latin American operations experienced mixed results, but the group as a whole set a new high in income.

In Argentina, the chemical operations had an exceptionally good year, benefiting primarily from operational and administrative



Gallina Blanca, a Borden affiliate, is the largest manufacturer of dehydrated soup and bouillon broth in Spain.

changes undertaken by local management but also from the government's easing of restrictions on private enterprise.

In Brazil, the economy was marked by severe inflation and a decline in gross national product. Nonetheless, the chemical operations, aided by a thriving export business and an aggressive pricing policy that kept prices in line with rising costs, registered a substantial gain in profits. On the food side, however, stringent price controls imposed on the pasta industry to dampen inflation depressed margins and income of the Adria brand pasta operation, although dollar sales remained about even with the record level achieved a year earlier.

In Colombia, sales and operating margins of the chemical operations improved. The food operation, which produces and markets KLIM whole milk powder locally, achieved a new high in volume and profits.

In Ecuador, results of the chemical operations were adversely affected by unfavorable exchange rates. To accommodate growing sales of polyvinyl acetate emulsions, a new reactor is being installed. The emulsions already hold a significant share of the local market.

Mexico's acute economic problems slowed the performance of all major industries. The Borden chemical affiliate shared in the downturn, experiencing a sizeable decline in sales and income.

The diversified line of Borden food products made and sold in Panama achieved a healthy sales gain, benefiting from a new ice cream plant that was brought into production during the year.

In Uruguay, the chemical operations had an exceptionally favorable year, primarily because of a strong upturn in export business to several Latin American markets.

ASIA

The Asian markets served by Borden range from highly industrialized Japan to emerging Papua, New Guinea. In varying degree, each country across this vast area of the world experienced economic problems traceable to the worldwide recession—the downturn in U.S. and European housing construction, for example, affecting the forest products industries in Thailand, Burma and Malaysia. Australia's already severe economic problems were exacerbated by the worst drought in the nation's history. The division's Asian Group was nonetheless able to offset these unfavorable market conditions and achieve its most successful year, through a combination of new-product additions, enriched product mix, geographical expansion, and cost containment programs.

In Australia, the record drought weighed atop an economy already burdened by depressed export trade, high interest rates, high inflation, rising wage costs, and depreciating currency. The Borden chemical

operations increased their share of both industrial and consumer markets, but results were well below year-earlier levels.

In Hong Kong, a new snack company formed as a joint venture with The Garden Company, the leading bread bakery in the Colony, went into operation. The snacks have received such outstanding market reception that an expansion is already planned for the venture's just-constructed manufacturing plant in the New Territories.

In Japan, results of Meiji-Borden, the joint venture in cheese, were adversely affected by a decline in consumer spending. Market share, however, increased to a new high, benefiting from the introduction of several new products and strong promotional support, including sponsorship for the fourth year of a women's tennis tournament, the Meiji-Borden Classic, that attracted professionals from around the world.

Lady Borden ice cream, the largest-selling premium ice cream in Japan, again set a new high in sales. The product line was expanded with the introduction, nationally, of Borden Homemade ice cream.

Hitachi-Borden, the joint venture in Japan for the manufacture of Resinite PVC film, experienced a sharp upturn in results as market demand surged, bringing a consequent improvement in production efficiency. Sales were also helped by the market entry into pigmented vinyl film, which is being sold exclusively to the manufacturer of Sofupa brand plastic "carriers," such as tote and shopping bags. An extruder line was converted to produce the film.

In Korea, a joint venture that manufactures and markets animal nutrition products

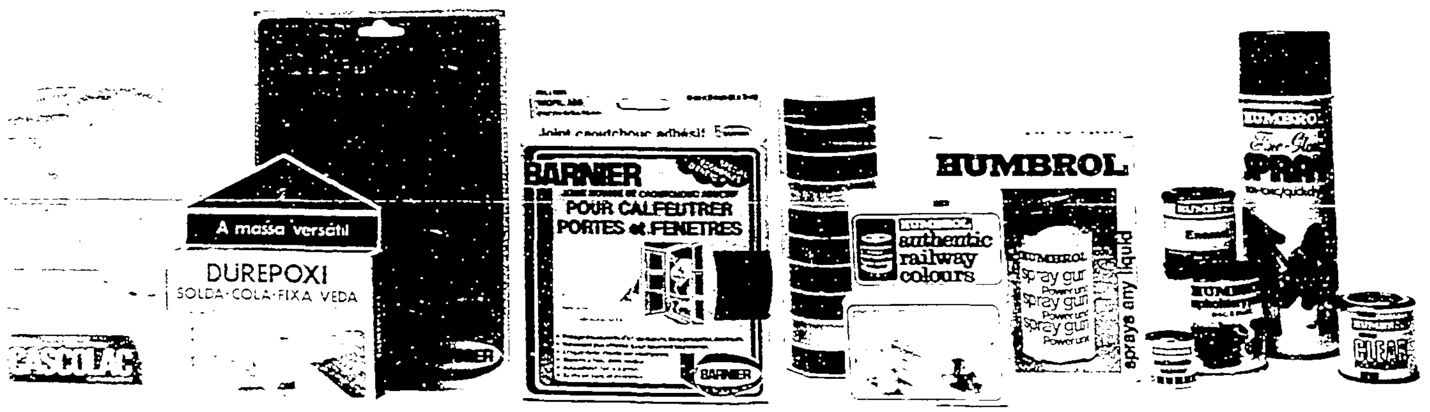
In Hong Kong, Apache brand potato chips are among the products introduced by a new snack company formed as a joint venture of Borden and The Garden Company, the leading bread bakery in the Colony.

had a highly favorable year, exceeding projections. In only its third year of operation, the venture during the fourth quarter expanded capacity to manufacture new products that will be introduced early in 1983.

In Malaysia, the chemical operations continued to expand. Although there was some softening of prices in the local market, reflecting general economic conditions, the demand for Borden industrial adhesives remained strong. There was a healthy pickup in exports to Indonesia, Thailand, Pakistan, Burma, and Sri Lanka, in all of which countries Borden is a major supplier to the forest products industries.

In the Philippines, a cost-containment program enabled the chemical operations to maintain a reasonable level of profitability despite lower sales. The Philippine economy is being depressed primarily by weak demand from its major trading partners for agricultural and extractive commodities, but also by a worldwide slump in housing construction that has affected plywood producers, the principal customers for Borden adhesives.

A major program was undertaken during the year to license Borden resin technology



in the People's Republic of China. A preliminary agreement was negotiated to supply formulation and manufacturing processes for a medium-density fiberboard plant in Nancha.

EXPORT

Export sales and income declined, owing to the division's suspension of overseas shipments of several major petrochemicals. A narrowing of the spread between world market prices and the division's costs had made them marginally profitable. This market withdrawal was partially offset by a healthy increase in exports of consumer products, which had an excellent year in spite of the strong U.S. dollar. Profitability was enhanced by focusing on high-margin items and cost reductions. The line of Du Pont car care products, which the company acquired in June, made a major contribution to export profits.

CAN MACHINERY

The Can Machinery Group, which manufactures can-making and can-testing equipment at plants in Colorado and New York, experienced a sharp drop in new machine orders, the result of high interest rates and a weak industrial economy worldwide. Sales and income were below year-earlier levels.

Social Responsibility

The company responded to its social responsibilities through its contribution program and through operational decisions responsive to social concerns. The Borden Foundation Inc., the company's conduit for charitable contributions, helped to support 69 United Fund drives and more than 40 hospital and health care facilities in communities where Borden has operations. The foundation's Matching Gifts Program for Higher Education was joined by a program to match eligible employee contributions to health care organizations, effective in 1983. In addition, the foundation continued underwriting a demonstration of a unique public nutrition education program conducted by the Center for Human Nutrition of the Columbia University College of Physicians and Surgeons. Nearly 180 radio stations across the country carried the Columbia Nutrition Bulletin, a daily public service program offering basic nutrition advice. The foundation also increased attention to in-kind donations through cooperation with Food Banks around the nation.

The company's minority purchasing program continued to give positive assistance to the development of minority-owned businesses. Despite the recession and the divestiture of several additional operations, purchases from minority-owned businesses increased to $17.7 million. The number of minority suppliers selling products and services to the company increased from 400 to 500. Deposits of tax payments in minority-owned banks jumped 125%, from $8 million to $18 million. In 1981, a security insurance policy for the company was underwritten by an agency owned by women; in 1982, additional security coverage was obtained from an insurance agency owned by blacks.

Employment data gathered in 1982 revealed yet another slight increase in the percentage of minority employees in top job categories. Overall minority employment held steady despite divestitures that reduced the total number of employees. Divestitures of operations with high percentages of female employees caused a small drop in the number and percentage of women employed. With the redeployment program completed, the company is intensifying its efforts to increase the representation of women and minorities in its work force.

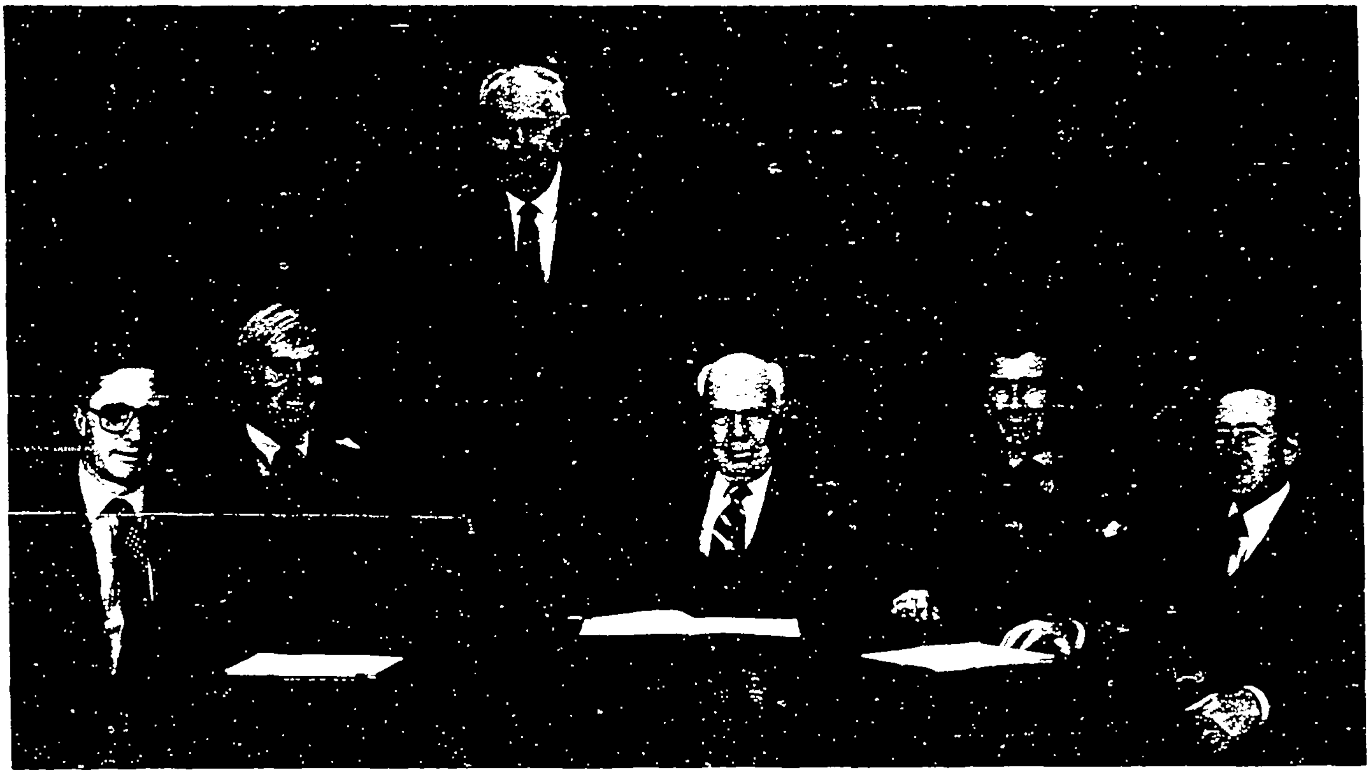
Changes in Directors and Officers

William K. Westwater, president of the Westwater Company, a business management firm in Columbus, Ohio, and a director since 1971, retired from the board on April 21, the date of the annual meeting, in accordance with a company policy that nominees be under 70 years of age at the time of election. He was designated an advisory director.

J. Richard Magner, vice president-purchasing, resigned October 7, after 37 years of service with the company, in order to take early retirement. The functions of the purchasing department were assigned to the two domestic divisions.

John J. O'Connor, formerly an executive vice president and president of the International Division, was elected to the board of directors as vice chairman, effective January 1, 1983.

On the same date, Harry G. Lambroussis, formerly group vice president-Latin America of the International Division, was named president of the division and elected an executive vice president.



Members of the Office of the Chairman, from left: Harry G. Lambroussis, Robert W. Gutheil, John J. O'Connor, Eugene J. Sullivan, Frank V. Forrestal, Bernard Nemtzow.

Officers

EXECUTIVE OFFICERS

EUGENE J. SULLIVAN
Chairman and Chief Executive Officer

JOHN J. O'CONNOR
Vice Chairman

FRANK V. FORRESTAL
Executive Vice President; President, Consumer Products Division

ROBERT W. GUTHEIL
Executive Vice President, President, Chemical Division

HARRY G. LAMBROUSSIS
Executive Vice President; President, International Division

BERNARD NEMTZOW
Executive Vice President; Chief Administrative Officer

STAFF VICE PRESIDENTS

ALFRED S. CUMMIN
Vice President—Science and Technology

LAWRENCE O. DOZA
Vice President and General Controller

FRANK L. FLORIAN
Vice President—Planning

DAVID A. KELLY
Vice President and Treasurer

WALTER W. KOCHER
Vice President and General Counsel

ALLAN L. MILLER
Vice President—Employee Relations

ROBERT G. TRITSCH
Secretary

OPERATING GROUP VICE PRESIDENTS

CHEMICAL DIVISION

JOHN S. BELLECCI
Group Vice President—Basic Chemicals

A.S. D'AMATO
Group Vice President—Plastic Products

H.A. PEED
Group Vice President—Vinyl Resins/Graphics/Petrochemical Sales

R.J. VENTRES
Group Vice President—Adhesives/Energy Resources/Canadian Operations

CONSUMER PRODUCTS DIVISION

THOMAS O. DOGGETT
Group Vice President—Home & Professional Products

ARNOLD I. EPSTEIN
Group Vice President—Specialty Products

JON G. HETTINGER
Group Vice President—Grocery Products

ROBERT P. KIRBY
Group Vice President—Dairy

SEYMOUR L. VLADIMER
Group Vice President—Bakery and Puerto Rican Operations

GEORGE J. WAYDO
Group Vice President—Snacks

INTERNATIONAL DIVISION

K. M. COLE
Group Vice President—Europe/Middle East/Africa

JOSEPH M. SAGGESE
Group Vice President—Asia/Latin America, North/Can Machinery/Export

ASSISTANT OFFICERS

H. CORT DOUGHTY, JR.
Assistant Secretary

LESLIE DUVAL-CROWLEY
Assistant Secretary

RICHARD H. BYRD
Assistant Treasurer

FRED J. CHRVALA
Assistant Treasurer

TERRENCE W. GASPER
Assistant Treasurer

GEORGE W. SANBORN
Assistant Treasurer

L. CLARKE BUDLONG
Assistant General Controller

EUGENE C. McCARTHY
Assistant General Controller

M. H. NOTOWIDIGDO
Assistant General Controller

PAUL J. JOSENHANS
Associate General Counsel

LAWRENCE L. DIEKER
Assistant General Counsel

RONALD P. MORAN
Assistant General Counsel

Theodore Cooper, M.D.

Virginia Dwyer

James D. Finley

John W. Lynn

Augustine R. Marusi

Bernard Nemtzow

Directors

John J. O'Connor

Robert T. Quittmeyer

W. Thomas Rice

Patricia Carry Stewart

Eugene J. Sullivan

Pieter C. Vink

Franklin H. Williams

THEODORE COOPER, M.D.
Executive Vice President
The Upjohn Company
(Pharmaceuticals)

VIRGINIA DWYER
Vice President and Treasurer
American Telephone & Telegraph Company

JAMES D. FINLEY
Retired Chairman
J.P. Stevens & Co., Inc.
(Textiles)

JOHN W. LYNN
Chairman and Chief Executive Officer
F.W. Woolworth Co.
(Retail merchandising)

AUGUSTINE R. MARUSI
Retired Chairman

BERNARD NEMTZOW
Executive Vice President and Chief
Administrative Officer

JOHN J. O'CONNOR
Vice Chairman

ROBERT T. QUITTMEYER
Former Chairman and Chief Executive Officer
Amstar Corporation
(Sweeteners—industrial and technical products)

W. THOMAS RICE
Chairman Emeritus
Seaboard Coast Line Industries, Inc.
(Railroads)

PATRICIA CARRY STEWART
Vice President
The Edna McConnell Clark Foundation
(Charitable foundation)

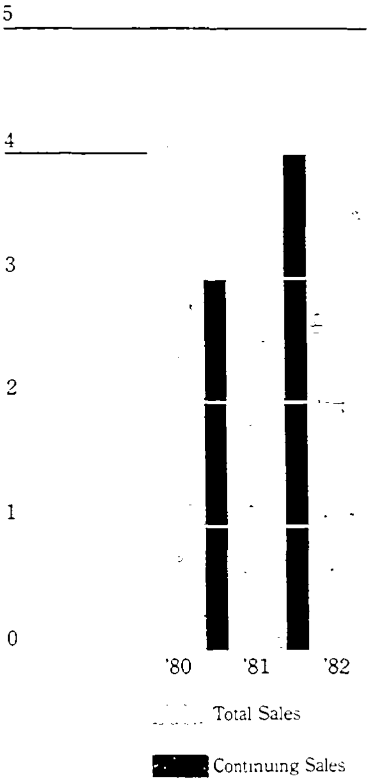
EUGENE J. SULLIVAN
Chairman and Chief Executive Officer

PIETER C. VINK
Chairman
North American Philips Corporation
(Electrical/electronic manufacturing)

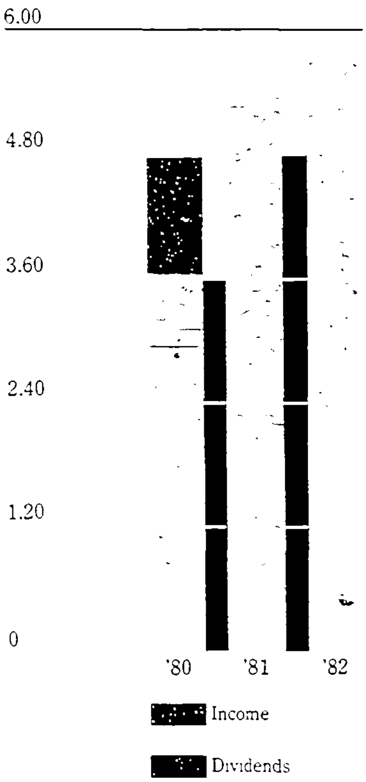
FRANKLIN H. WILLIAMS
President
Phelps-Stokes Fund
(Educational foundation)

1982 Financial Review

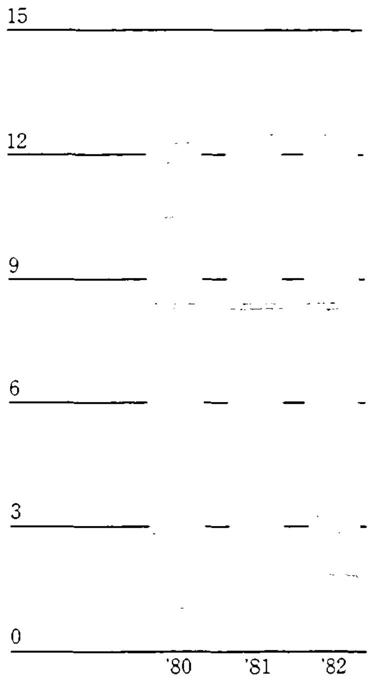
Sales
in billions of dollars



Income and Dividends Per Share
in dollars



Return on Average Shareholders' Equity
% return



Total Sales and Continuing Sales

Total sales for 1982 decreased 6.9% to $4.111 billion from $4.415 billion in 1981 due to the disposal of operations.

Sales adjusted for divestitures increased 1.7% in 1982 to $4.099 billion from $4.031 billion in 1981.

Income and Dividends

Net income for 1982 reached an all-time high of $165.9 million, or $5.81 per share, an increase of 3.7% over $159.9 million or $5.45 per share in 1981. On a fully diluted basis earnings per share were $5.62, up 8.1% from $5.20. During 1982 the Company realized a net after-tax gain of $28.0 million, or $.98 per share, from the sale of assets. In addition, during 1982 the Company reduced average shares outstanding for primary earnings per share by approximately 0.8 million shares which in part contributed to the improvement in primary earnings per share. Dividends for 1982 were $2.17¾ per share, an increase of 8.2% over 1981. The increase in 1982 represents the ninth consecutive yearly increase. Quarterly dividends have been paid without interruption for 84 years. Future dividends and the amount thereof will depend upon earnings, cash requirements and other relevant factors. In December 1982 the Company's stock price increased to $52½ per share.

Return on Average Shareholders' Equity

Return on average shareholders' equity was 12.6% in 1982 after giving effect in beginning equity to the Company's adoption of FAS No. 52. In 1981 the return was also 12.6%. A Company goal is to increase the return on average shareholders' equity to at least 15% by 1985.

Three Year Comparison of Division Sales and Operating Income (Dollars In Thousands)

	1982		1981*		1980*	
Division Sales						
Consumer Products	**$2,659,944**	**65%**	$2,795,511	63%	$2,843,393	62%
Chemical	**679,620**	**16**	898,350	21	1,018,323	22
International (including exports)	**771,713**	**19**	721,313	16	734,079	16
Total	**$4,111,277**	**100%**	$4,415,174	100%	$4,595,795	100%
Division Operating Income						
Consumer Products	**$ 181,334**	**62%**	$ 156,962	51%	$ 134,315	42%
Chemical	**26,754**	**9**	83,153	27	113,270	36
International (including exports)	**83,886**	**29**	66,260	22	70,521	22
Total	**291,974**	**100%**	306,375	100%	318,106	100%
Other income and expenses not allocable to divisions and income taxes	**(126,119)**		(146,436)		(170,621)	
NET INCOME	**$ 165,855**		$ 159,939		$ 147,485	

**Effective with 1982 year-end reporting, state and local income taxes for all years are not charged against division operating income. Also, the Canadian and Puerto Rican operations have been reclassified from the International Division to the Consumer Products and Chemical Divisions.*

Management's Discussion and Analysis of Financial Condition and Results of Operations

Borden is primarily engaged in the purchase, manufacture, processing and distribution of a broad range of consumer products and industrial chemical products, both domestically and in foreign countries. Borden operates in two major industry segments: foods and chemicals. Internally, Borden is organized into three operating divisions: Borden Consumer Products, Borden Chemical and Borden International. The foods segment encompasses the food related products of the Consumer Products Division and the International Division. International's products are primarily processed in overseas plants but also include exports of domestically processed products. Included in the chemical segment are the Chemical Division, the Home and Professional Products Group of the Consumer Products Division, and the chemical related products of the International Division produced overseas and domestically. A breakdown of the Company's sales, operating profit and other information between the foods and chemical industry segments is presented on pages 29 and 30. A three-year summary of sales and operating income by the three operating divisions is presented above. An analysis of the results achieved, financial position and changes in financial position in both industry segments, in terms of the Company as a whole and the divisions through which it operates, for the three most recent years follows.

Liquidity and Capital Resources

Borden meets the majority of its cash requirements through operations. The amounts provided from operations and retained in the business in 1982, 1981, and 1980 were $253.4 million, $107.4 million and $229.8 million, respectively. Short-term borrowings are utilized to meet temporary cash requirements. See Note 3 of the Notes to Consolidated Financial Statements for further information regarding short-term borrowings.

Borden borrows domestically at commercial paper rates and has credit agreements available to support commercial paper borrowing of approximately $265.0 million at December 31, 1982, all of which are with domestic lending institutions. The interest cost on the credit agreements, if used, should approximate the prime rate in effect at the date of use. Additional unused lines of credit totaling $33.0 million at December 31, 1982 are available for use by foreign subsidiaries.

In addition to cash provided from operations, approximately $107.0, $144.4, and $247.1 million was generated in 1982, 1981, and 1980, respectively, through the divestiture of businesses under a redeployment program. The disposal phase of the program was completed in 1982.

In 1982, 1981, and 1980 long-term debt financing provided $85.6 million, $8.3 million, and $16.9 million, respectively. At December 31, 1982 and 1981 long-term debt was 32% and 33%, respectively, of total shareholders' equity.

The company's strong financial position, and history of growth in earnings, provide a solid base for obtaining substantial

financial resources. If required, management believes that additional cash from long-term borrowings in excess of $200.0 million could be raised. On January 12, 1983 the Company filed a shelf registration statement covering $200.0 million of debt securities, which provides the Company with the flexibility to enter the market quickly and take advantage of favorable market conditions.

Capital expenditures for new facilities and improvements to existing facilities were $240.1, $247.5, and $197.0 million in 1982, 1981 and 1980, respectively. Depreciation, depletion and amortization during each of the three years was $99.8, $99.4, and $100.3 million. The Company is presently three years into a $1.5 billion expansion program, consisting of both capital expenditures and acquisitions. The expansion program is being funded primarily by operations and the redeployment program.

Borden is actively engaged in complying with environmental protection laws, as well as the various federal and state statutes and regulations relating to the production, processing, distribution and labeling of its many products. In this connection Borden incurred approximately $24.1 million of capital expenditures in 1982 as compared to $17.9 million in 1981 and $5.9 million in 1980. It is estimated that Borden will spend $8.5 million for environmental control facilities during 1983.

The Company acquired approximately 2.0 million shares of its common stock during 1982 at a total cost of $65.8 million. Treasury shares on hand, and any additional which may be purchased in 1983, will be held for general corporate purposes, including possible future acquisitions. Also, during the year, 0.9 million shares of common stock were issued for the conversion of $28.5 million convertible debentures.

Results of Operations

Raw materials and supplies used in production are purchased from a broad range of sources. Natural gas, the feedstock for Borden's petrochemical complex, is the subject of supply contracts. Borden has contracts for all gas requirements beyond captive sources through 1990.

An agreement was reached with Texaco, Inc. effective in January, 1983, to settle the Company's suit against Texaco and to amend another existing gas supply contract. Under the agreement, Texaco pays Borden $39 million and Borden and Texaco enter into arrangements that will provide for a reduction in the cost of Borden's future gas purchases and transportation, and for more flexible use of gas rights through 1988. Subject to future market prices in the industry, Borden estimates that over the next six years this settlement should substantially recoup the amount of its added gas costs incurred in 1981 and 1982 in connection with this dispute.

Borden's energy requirements are principally met by natural gas, fuel oil and electricity. An active program of conservation and capital improvements has been implemented to insure efficient use of energy. Based on information presently available, Borden will be able to meet its energy needs in 1983.

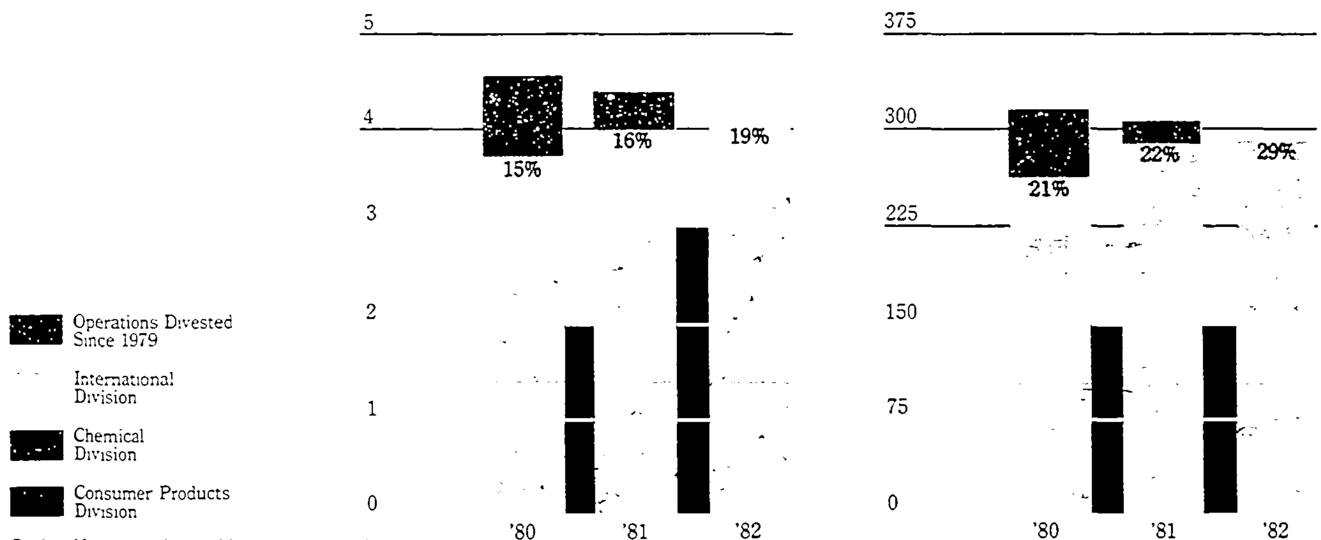
Research and development expenditures were $19.6 million in 1982, $19.9 million in 1981 and $18.9 million in 1980. The development and marketing of new food and chemical products is carried out at the divisional level and is integrated with quality controls for existing product lines.

Sales and Operating Income

Ongoing by Division and Divested

Sales
in billions of dollars

Operating Income
in millions of dollars



Reclassified to conform with 1982 presentation.

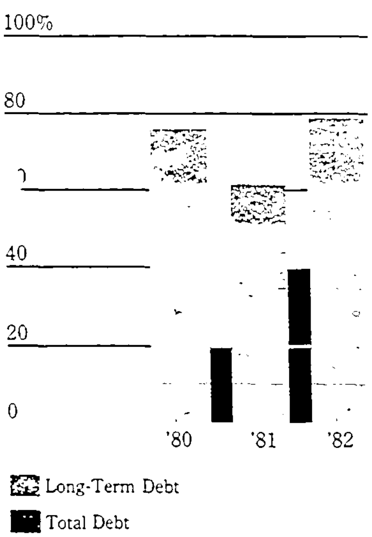
Net sales in 1982 decreased 6.9% to $4.111 billion from 1981 sales of $4.415 billion, which was down 3.9% from $4.596 billion in 1980. 1982 sales for continuing operations increased 1.7% from 1981. Net income increased 3.7% to a record $165.9 million from the previous high of $159.9 million in 1981, which was 8.4% higher than the $147.5 million recorded in 1980. In 1982 there was a net after-tax gain of $28.0 million, or $0.98 per share, from the sale of assets. Fully diluted earnings per share increased 8.1% to $5.62 compared with $5.20 in 1981 and $4.56 in 1980. Primary earnings per share rose 6.6% to $5.81 from $5.45 in 1981, which was 14.3% above the 1980 mark of $4.77. As a result of a significant number of conversions during 1982 of the Company's 5% and 6¾% convertible debentures, fully diluted earnings per share have come closer into line with primary earnings per share. The increase in earnings per share resulted from a combination of increased net income and a reduction in shares outstanding. Earnings in 1982, 1981, and 1980 reflect net foreign exchange losses of $12.5 million, $17.3 million and $7.3 million, respectively. Earnings in 1982 were adversely affected by higher net interest expense, which increased $11.0 million despite a reduction in outstanding debt. The redeployment program generated substantial amounts of cash in 1981 and 1980. With the completion of the disposal phase of the program in 1982 and with substantial spending for capital investments, acquisitions and stock repurchases this additional cash is not available to earn interest.

Income taxes in 1982 were $89.0 million versus $79.5 million in 1981 and $95.3 million in 1980. The effective income tax rate was 34.9% in 1982, 33.2% in 1981 and 39.3% in 1980. The higher tax rate in 1982 was due primarily to fewer tax benefits than in 1981 from investment tax credits and capital gains. The investment tax credit dropped to $18.0 million from $21.0 million in 1981, when plant construction under the $1.5 billion development program, begun in 1980, reached its peak.

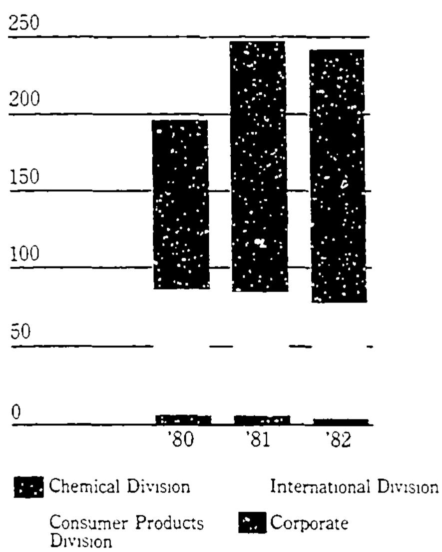
The Consumer Products Division's 1982 sales declined 4.8% to $2.660 billion from $2.796 billion in 1981 primarily as a result of the disposal of operations. Sales from continuing operations, led by the specialty, home & professional products, and dairy groups, increased 3.0% over the like period a year earlier. Operating income for the Division rose 15.5% to $181.3 million from $157.0 million. Operating income from continuing operations increased 27.0%; all six of the Consumer Product Division's groups had improved results, with the strongest performances being registered by the grocery products, snacks, and home and professional products groups. The Division benefitted from several acquisitions and from the improved income of the Company's Canadian consumer products operations, which was transferred to the division July 1, 1982. The Division's sales declined in 1981 versus 1980 primarily as a result of the divestiture of the Division's sugar refining operations in 1980. Operating income improved reflecting improved performances by grocery products, dairy operations, and bakery operations.

The Chemical Division's 1982 sales declined 24.3% to $679.6 million from $898.4 million in 1981, primarily due to the 1981 disposal of portions of agricultural chemical operations. Operating income was down sharply from a year earlier reflecting the continuing recession, the scheduled expiration of a low-cost gas contract in 1981, and high interest rates which have depressed the housing and auto markets, the two principal outlets for the Division's products. The Chemical Division's 1981 operating in-

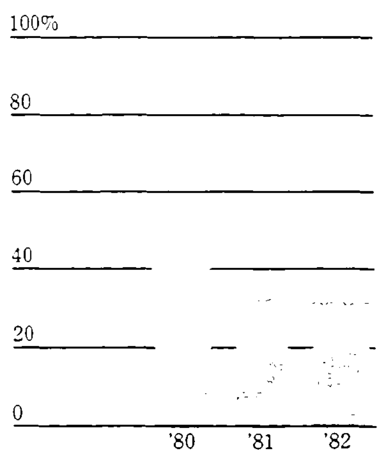
Funds Provided From Operations as a Percent of Long-Term Debt and Total Debt



Capital Expenditures by Division
in millions of dollars



Long-Term Debt as a Percent of Equity



come declined from 1980 on an 11.8% decrease in sales primarily due to foregone income on divested operations and higher natural gas costs.

The International Division's 1982 sales increased 7.0% to $771.7 million from $721.3 million in 1981. The Division's operating income was up 26.6% to $83.9 million from $66.3 in 1981, primarily because of a turnaround in European food and chemical operations, and an increase in chemical business in Brazil. The improved earnings include lower foreign exchange losses despite the strengthening of the U.S. dollar against major foreign currencies. The Company has reduced its exposure in Brazil, whose currency was substantially devalued. The Division's 1981 sales and operating income decreased from 1980 reflecting a sluggish worldwide economy, a rise in the value of the U.S. dollar relative to most other foreign currencies, and the loss of income from operations divested in 1980.

Inflation

The high rate of inflation experienced worldwide has had an impact on the Company's reported earnings, shareholders' equity and other financial information which is not measured by traditional accounting methods. Pages 43 and 44 present certain financial information adjusted for inflation in accordance with Statement of Financial Accounting Standard No. 33, an experimental approach for estimating and evaluating the impact of inflation.

Business Segments

Borden, Inc., as discussed on the previous pages, operates in two major industry segments: foods and chemical. Corporate departments provide certain centralized services for the corporation and all operating units. The Company's general offices are located in Columbus, Ohio and its executive offices in New York City. Production facilities are located throughout the United States and in many foreign countries. The Company considers that its operating properties are generally well maintained, and effectively utilized.

The foods segment encompasses the following: The food products of the Consumer Products Division, including in its product lines—processed cheese, non-dairy creamer, reconstituted lemon and lime juice, dehydrated potatoes, instant coffee, sweetened condensed milk, snack foods and cakes, confections, powdered soft drinks, jams and jellies, pasta, seafood, homogenized milk, buttermilk, chocolate drink, ice cream and milks, sherbets, yogurt, cottage cheese, frozen novelties, dips, egg nog, sour cream, low-fat dairy products, milk-based products for the industrial trade, and fruit drinks; and the International Division's food products processed in domestic plants but exported outside the United States, and food and dairy products processed in overseas plants. As of December 31, 1982 the Consumer Products Division operated 91 manufacturing and processing facilities, the most significant being the Illinois powdered soft drink operations, the snack group operations in Pennsylvania, Florida, Missouri, South Carolina, Texas, Indiana, and Ohio, the pasta operations in Minnesota and Louisiana, the confectionery operations located principally in Illinois, the bakery operations in New Jersey, the distribution facilities and snack and specialty operations in Puerto Rico, and the dairy facilities, all of which are approximately the same size, located principally in the midwest, south, and southwest; and the International Division operated 21 food and dairy manufacturing and processing facilities located principally in Brazil and Western Europe.

Included within the chemical segment are the Chemical Division, the Home and Professional Products group of the Consumer Products Division, and chemical related products of the International Division produced overseas and domestically. This segment is a major producer of basic petrochemicals and thermoplastics including polyvinyl acetate, PVC latex and resins, formaldehyde, methanol, ammonia, urea and acetic acid, most of which are utilized in the segment's downstream production facilities which produce synthetic adhesives for the forest products and packaging industries, transparent wrapping film, printing inks, vinyl film for wall coverings and other applications, glue and spray paint, and plastic school and office accessories. As of December 31, 1982 the Chemical Division operated 49 manufacturing and processing facilities, the most significant being the Division's petrochemical complex in Louisiana, and the thermoplastics and Resinite operations in Massachusetts and Illinois; the Consumer Products Division operated 5 consumer chemical manufacturing and processing facilities, located principally in the United States and Canada; and the International Division operated 41 chemical manufacturing and processing facilities located principally in Brazil and Western Europe.

Domestic products for the foods segment are marketed primarily through food brokers and distributors, and directly to wholesalers, retail stores, food processors, institutions and governmental agencies. The chemical segment products are sold throughout the United States to industrial users and, in the case of consumer products, by an in-house and independent sales force to distributors, wholesalers, jobbers and dealers. To the extent practicable, international distribution techniques parallel those used in the United States. However, raw materials, production considerations, pricing competition, governmental policy toward industry and foreign investment and other factors vary substantially from country to country for both industry segments.

Segment operating profit as shown on page 30 is total revenue less operating expenses. In computing segment operating profit none of the following items has been deducted from revenues: general corporate expenses, interest expense and federal, state and local income taxes. Minority interests in earnings of certain subsidiaries and the Company's equity in earnings of unconsolidated 20% to 50% owned companies were immaterial and have been included in segment operating profit.

Identifiable assets by segment are those assets that are used in the segments' operations. Corporate assets are principally cash, cash items and assets of redeployed operations.

(In thousands)

	Year ended December 31	1982	1981	1980
NET SALES	Foods	**$2,891,294**	$2,990,306	$3,048,089
	Chemical	**1,219,983**	1,424,868	1,547,706
	Total	**$4,111,277**	$4,415,174	$4,595,795
OPERATING PROFIT	Foods	**$ 206,336**	$ 168,388	$ 138,166
	Chemical	**85,638**	137,987	179,940
	Total segments	**291,974**	306,375	318,106
	General corporate income (expense)	**27,886**	(1,332)	(17,756)
	Interest expense	**(65,005)**	(65,604)	(57,565)
	Earnings before income taxes	**$ 254,855**	$ 239,439	$ 242,785
IDENTIFIABLE ASSETS	Foods	**$1,160,372**	$1,181,663	$1,201,472
	Chemical	**1,271,167**	1,144,128	966,181
	Total segments	**2,431,539**	2,325,791	2,167,653
	Corporate assets	**158,163**	183,025	481,991
	Total	**$2,589,702**	$2,508,816	$2,649,644
DEPRECIATION, DEPLETION, AND AMORTIZATION	Foods	**$ 43,868**	$ 46,914	$ 48,777
	Chemical	**52,639**	48,832	48,873
CAPITAL EXPENDITURES	Foods	**$ 61,074**	$ 59,985	$ 64,138
	Chemical	**178,097**	183,819	126,506
FOREIGN OPERATIONS	Net sales	**$ 790,245**	$ 726,780	$ 754,982
	Operating profit	**84,069**	60,073	54,699
	Identifiable assets	**529,494**	561,694	527,263

Five-Year Selected Financial Data

BORDEN, INC.

(All dollar and share figures in thousands—except market price, number of common shareholders, average number of employees, and per share statistics)

Summary of Earnings	1982	1981	1980	1979	1978
Net sales	**$4,111,277**	$4,415,174	$4,595.795	$4,312,533	$3,802,559
Income taxes	**89,000**	79,500	95,300	85,600	83,800
Net income	**165,855**	159,939	147,485	133,706	135,298
Percent of net income to sales	**4.0%**	3.6%	3.2%	3.1%	3.6%
Net income per common share and equivalents:					
Primary	**$ 5.81**	$ 5.45	$ 4.77	$ 4.30	$ 4.36
Fully diluted	**5.62**	5.20	4.56	4.11	4.17
Dividends:					
Common share	**$ 2.17¾**	$ 2.01¼	$ 1.88	$ 1.79½	$ 1.68
Preferred series B share	**1.32**	1.32	1.32	1.32	1.32
Average number of common shares and equivalents assumed outstanding during the year for calculation of:					
Primary earnings per share	**28,530**	29,367	30,889	31,123	31,018
Fully diluted earnings per share	**29,717**	31,066	32,708	32,971	32,873
Financial statistics					
Capital expenditures	**$ 240,104**	$ 247,500	$ 196,951	$ 177,723	$ 167,003
Inventories	**399,272**	400,917	506,017	542,073	507,461
Property, plant and equipment, net	**1,214,632**	1,093,340	990,321	990,146	882,234
Depreciation, depletion and amortization	**99,797**	99,423	100,322	100,777	87,486
Total assets	**2,589,702**	2,508,816	2,649,644	2,468,860	2,171,538
Current assets	**1,082,315**	1,107,653	1,362,782	1,185,926	1,072,290
Current liabilities	**604,360**	588,559	788,780	615,069	551,942
Working capital	**477,955**	519,094	574,002	570,857	520,348
Current ratio	**1.8:1**	1.9:1	1.7:1	1.9:1	1.9:1
Long-term debt	**$ 434,876**	$ 435,549	$ 490,201	$ 538,613	$ 439,543
Long-term debt-to-equity percent	**32%**	33%	40%	46%	41%
Shareholders' equity	**$1,341,333**	$1,318,755	$1,227,422	$1,177,940	$1,065,368
Liquidating value of preferred stock	**(710)**	(1,065)	(1,138)	(1,575)	(1,695)
Common shareholders' equity	**1,340,623**	1,317,690	1,226,284	1,176,365	1,063,673
Equity per common share at year-end	**46.99**	44.98	41.32	37.75	35.58
Return on average shareholders' equity	**12.6%**	12.6%	12.3%	11.9%	13.0%
Shareholders' Data					
Outstanding shares at year-end:					
Common	**28,531**	29,298	29,681	31,160	29,895
Preferred series B	25	37	39	55	59
Market price of common stock:					
At year-end	**$ 47⅝**	$ 28	$ 25¾	$ 23⅞	$ 25½
Range during year	**52½-26⅞**	30-25	27⅞-19⅝	27⅞-23⅞	31⅜-25¼
Number of common shareholders	50,202	55,884	59,562	61,632	62,743
Employees' Data					
Payroll	**$ 571,600**	$ 573,000	$ 584,500	$ 552,000	$ 518,000
Average number of employees	**33,200**	35,200	38,400	39,300	39,600

Consolidated Statements of Income

BORDEN, INC.

(In thousands except per share data)		Year Ended December 31 1982	1981	1980
Revenue	Net sales	**$4,111,277**	$4,415,174	$4,595,795
Costs and Expenses	Cost of goods sold	**3,258,719**	3,560,087	3,753,353
	Marketing, general and administrative expenses	**592,573**	570,396	549,955
	Interest income, equity in income of affiliates, royalties, and other, net	**(59,875)**	(20,352)	(7,863)
	Interest expense	**65,005**	65,604	57,565
	Income taxes	**89,000**	79,500	95,300
		3,945,422	4,255,235	4,448,310
Earnings	Net income	**$ 165,855**	$ 159,939	$ 147,485
Share Data	Net income per share:			
	Primary	**$ 5.81**	$ 5.45	$ 4.77
	Fully diluted	**5.62**	5.20	4.56
	Cash dividends per common share	**2.17¾**	2.01¼	1.88
	Average number of common shares and equivalents assumed outstanding during the year	**28,530**	29,367	30,889

See Notes to Consolidated Financial Statements

Consolidated Statements of Changes in Financial Position

BORDEN, INC.

(In thousands)		Year Ended December 31 1982	1981*	1980*
Funds Provided From Operations And Retained In The Business	Division operating income	$ 291,974	$ 306,375	$ 318,106
	Depreciation, depletion, and amortization	99,797	99,423	100,322
	Changes in trade receivables, payables, and inventories	(10,727)	(16,799)	(91,103)
	Other, net	(39,342)	(122,383)	42,863
		341,702	266,616	370,188
	Income taxes paid	(26,232)	(100,066)	(82,366)
	Dividends paid	(62,068)	(59,110)	(57,976)
		253,402	107,440	229,846
Funds Provided From Divested Operations	Divestiture of businesses	107,015	144,367	247,093
Funds Used In Investment Activities	Capital expenditures	(240,104)	(247,500)	(196,951)
	Purchase of businesses	(71,271)	(6,852)	(15,062)
		(311,375)	(254,352)	(212,013)
Funds Used In Financing Activities	Acquisition of treasury stock	(65,829)	(24,016)	(44,369)
	Stock issued for debenture conversions and acquisitions	28,512	14,072	4,246
	Long-term debt financing	85,634	8,285	16,933
	Reduction in debt, net	(47,403)	(85,744)	(33,541)
	Interest paid, net	(50,015)	(43,368)	(48,146)
		(49,101)	(130,771)	(104,877)
	Increase (Decrease) in Cash (including time and certificates of deposit)	$ (59)	$ (133,316)	$ 160,049

**Reclassified to conform with 1982 presentation as explained in Note 12.*

See Notes to Consolidated Financial Statements

Consolidated Balance Sheets

BORDEN, INC.

(In thousands except share and per share data)

ASSETS		December 31 1982	December 31 1981
Current Assets	Cash (including time and certificates of deposit of $68,470 and $57,636, respectively)	$ 130,796	$ 130,855
	Accounts receivable (less allowance for doubtful accounts of $10,030 and $10,214, respectively)	489,018	486,451
	Inventories:		
	Finished and in process goods	239,430	250,884
	Raw materials and supplies	159,842	150,033
	Other current assets	63,229	89,430
		1,082,315	1,107,653
Investments and Other Assets	Investments in and advances to affiliated companies	12,999	48,496
	Miscellaneous investments and receivables	46,819	37,201
	Other assets	40,427	33,146
		100,245	118,843
Property and Equipment	Land	47,265	46,458
	Buildings	331,009	328,843
	Machinery and equipment	1,593,390	1,427,078
		1,971,664	1,802,379
	Less accumulated depreciation	(757,032)	(709,039)
		1,214,632	1,093,340
Intangibles	Intangibles resulting from business acquisitions	192,510	188,980
		$2,589,702	$2,508,816

See Notes to Consolidated Financial Statements

LIABILITIES AND SHAREHOLDERS' EQUITY

		December 31 1982	1981
Current Liabilities	Debt payable within one year	$ 122,698	$ 90,449
	Accounts and drafts payable	301,904	303,718
	Income taxes	16,582	19,016
	Other current liabilities	163,176	175,376
		604,360	588,559
Other	Long-term debt	434,876	435,549
	Deferred income taxes	194,520	157,005
	Other long-term liabilities	6,678	1,876
	Minority interests in consolidated subsidiaries	7,935	7,072
		644,009	601,502
Shareholders' Equity	Capital Stock:		
	Preferred stock—no par value		
	Authorized 10,000,000 shares		
	Issued series B convertible—24,589 shares and 36,869 shares, respectively (involuntary liquidating value of $710 or $28.88 per share at December 31, 1982)	101	152
	Common stock—$3.75 par value		
	Authorized 60,000,000 shares		
	Issued 32,907,493 and 31,678,138 shares, respectively	123,403	118,793
	Paid in capital	236,323	204,913
	Accumulated translation adjustment	(51,349)	—
	Retained earnings	1,161,432	1,057,645
		1,469,910	1,381,503
	Less common stock in treasury (at cost)—4,376,595 shares and 2,379,685 shares, respectively	(128,577)	(62,748)
		1,341,333	1,318,755
		$2,589,702	$2,508,816

Consolidated Statements of Shareholders' Equity

BORDEN, INC.

(In thousands) **For the Three Years Ended December 31, 1982**

	CAPITAL STOCK ISSUED					
	Preferred Series B	Common	Paid-In Capital	Accumulated Translation Adjustment	Retained Earnings	Treasury Stock
Balance, December 31, 1979	$225	$116,850	$193,558		$ 867,307	
Net income					147,485	
Cash dividends:						
Common stock					(57,918)	
Preferred series B					(58)	
Stock reacquired for acquisitions and treasury						$(44,369)
Common stock issued for acquisition of businesses		711	3,533			
Convertible Debentures and Preferred series B stock converted	(62)	62	2			
Stock issued for exercised options and Management Incentive Plan		17	79			
Balance, December 31, 1980	163	117,640	197,172		956,816	(44,369)
Net income					159,939	
Cash dividends:						
Common stock					(59,060)	
Preferred series B					(50)	
Stock reacquired for acquisitions and treasury						(24,016)
Treasury stock issued for acquisition of businesses			(29)			5,637
Convertible Debentures and Preferred series B stock converted	(11)	1,085	7,390			
Stock issued for exercised options and Management Incentive Plan		68	380			
Balance, December 31, 1981	152	118,793	204,913		1,057,645	(62,748)
Net income					165,855	
Cash dividends:						
Common stock					(62,024)	
Preferred series B					(44)	
Accumulated translation adjustment:						
As of January 1, 1982				$(25,329)		
Translation adjustment				(26,575)		
Transaction adjustment related to long-term intercompany investments				555		
Stock reacquired for acquisitions and treasury						(65,829)
Convertible Debentures and Preferred series B stock converted	(51)	3,596	24,967			
Stock issued for exercised options and Management Incentive Plan		1,014	6,443			
Balance, December 31, 1982	**$101**	**$123,403**	**$236,323**	**$(51,349)**	**$1,161,432**	**$(128,577)**

See Notes to Consolidated Financial Statements

Notes To Consolidated Financial Statements

(In thous... ...cept share and per share data)

1. Summary of Significant Accounting Policies

The significant accounting policies followed by the Company, as summarized below, are in conformity with generally accepted accounting principles.

Principles of Consolidation—The consolidated financial statements include the accounts of Borden, Inc. and its subsidiaries, after elimination of material intercompany accounts and transactions. The Company's proportionate share of the net earnings of unconsolidated 20% to 50% owned companies is included in income. The carrying value of these companies approximates Borden's interest in their underlying net assets. Investments of less than 20% ownership are carried at cost.

Intangibles—The excess cost of investments over net tangible assets of businesses acquired is carried as intangibles in the Consolidated Balance Sheets. It is the Company's policy to carry intangibles arising prior to November, 1970 at cost until such time as there may be evidence of diminution in value or the term of existence of such value becomes limited. Intangibles arising after October, 1970 are being amortized on a straight-line basis generally over a forty-year period.

Inventories—Inventories are stated at the lower of cost or market. Cost is determined generally using the average cost and first-in, first-out methods.

Property and Equipment—Land, buildings and machinery and equipment are carried at cost.

Depreciation is recorded on the straight-line basis by charges to costs and expenses at rates based on the estimated useful lives of the properties (average rates for buildings—3%; machinery and equipment—6%).

Major renewals and betterments are capitalized. Maintenance, repairs and minor renewals are expensed as incurred. When properties are retired or otherwise disposed of, the related cost and accumulated depreciation are removed from the accounts. Gains or losses from normal retirements and disposals are credited or charged to accumulated depreciation, while gains and losses from other retirements and disposals are credited or charged to income.

Gas and oil program expenditures are accounted for according to the "full cost" method whereby the cost of acquisition, exploration and development of gas and oil properties are capitalized.

Depletion of gas and oil properties is computed using the unit-of-production method based upon the estimated proved reserves underlying all gas and oil properties.

Income Taxes—The provision for income taxes includes federal, foreign and state and local income taxes currently payable and those deferred because of timing differences between income for financial statements and income for tax purposes. Investment tax credits are recorded as a reduction of current income tax expense in the years realized. A substantial portion of the undistributed earnings and cumulative translation of subsidiaries, primarily outside the United States have been reinvested and are not expected to be remitted to the parent company. Accordingly, no additional federal income taxes have been provided and at December 31, 1982, the cumulative amount thereof was approximately $220,000.

Pension Plans—Substantially all of the Company's employees in the United States and Canada are covered under one of the Company's pension plans or one of the union-sponsored plans to which the Company contributes. Pension expenses for the Company's plans, determined for domestic employees in accordance with the funding requirements of the Employee Retirement Income Security Act of 1974, comprise current service costs and amortization of prior service costs, effectively, over a thirty year period. It is the Company's policy to fund pension costs accrued for qualified plans.

Development and Promotion Expenses—Research and development expenditures are expensed when incurred as are advertising and promotion expenses.

Earnings Per Share—Prim... ...arnings per share are computed based on the weigh... ...verage number of shares of Common Stock and Equivalents (Convertible Preferred Stock and Stock Options) assumed outstanding during the year of computation.

Fully diluted earnings per share are computed based on the weighted average number of shares of Common Stock and Equivalents assumed outstanding during the year, as if the Convertible Debentures had been converted at the beginning of the period and after giving effect to the elimination of interest expense, less income tax effect, applicable to the Convertible Debentures.

2. Foreign Affiliates

Beginning January 1, 1982, the financial statements of foreign entities have been translated into U.S. dollars in accordance with Statement of Financial Accounting Standards No. 52. The principal changes are that assets and liabilities are generally translated at current exchange rates, rather than at a combination of current and historical rates, and related translation adjustments are reported as a component of shareholders' equity and not included in net income. For highly inflationary countries, the previous method of translation continues in use and related exchange adjustments are included in net income. Since the majority of Borden's translation adjustments in prior years have related to operations in Brazil, a highly inflationary country, changes in net income resulting from retroactive application would not be significant. Accordingly, prior years' financial statements have not been restated.

After translation into United States dollars, the Company's proportionate share of net assets of foreign affiliates included in the consolidated financial statements was $270,000 at December 31, 1982 compared to $300,000 at December 31, 1981.

Realized and unrealized net foreign exchange losses aggregating $12,500, $17,300, and $7,300 were charged against net income in 1982, 1981, and 1980, respectively.

3. Debt, Lease Obligations and Commitments

Debt outstanding at December 31, 1982 and 1981 is as follows:

	1982		1981	
	Long-Term	Due Within One Year	Long-Term	Due Within One Year
Sinking Fund Debentures:				
4⅜% due 1991	$ 16,000	$ 3,975	$ 18,000	$ 3,806
5¾% due 1997	52,500	3,750	56,250	3,750
8½% due 2004	100,000		100,000	
9⅜% due 2009	150,000		150,000	
Debentures repurchased	(31,250)	(3,823)	(15,273)	(3,798)
Other borrowings (at an average rate of 12.1% and 13.9%, respectively)	130,203	25,365	80,635	13,254
Convertible Debentures:				
6¾% due 1991	10,043		23,309	
5% due 1992	7,380		22,628	
CURRENT MATURITIES OF LONG-TERM DEBT		29,267		17,012
Short-term Debt (primarily Foreign Bank Loans at average rates of 29.1% and 24.8%, respectively)		93,431		73,437
TOTAL DEBT	$434,876	$122,698	$435,549	$90,449

The 6¾% Convertible Debentures (Eurodollar obligations) are convertible into Common Stock of Borden, Inc. at $28.75 a share and are redeemable at the Company's option except in certain defined circumstances. The redemption price will be equal to the face amount plus annually decreasing premiums to 1986.

The 5% Convertible Debentures (Eurodollar obligations) are convertible into Common Stock of Borden, Inc. at $31.50 a share and are redeemable at the Company's option except in certain defined circumstances. The redemption price will be equal to the face amount plus annually decreasing premiums to 1987.

Aggregate maturities of long-term debt and minimum annual rentals under agreements classified and accounted for as operating leases at December 31, 1982 are as follows:

	Long-Term Debt**	Minimum Rentals on Operating Leases
1983	$ 29,267	$ 15,849
1984	45,625	13,824
1985	15,793	11,327
1986	8,238	6,784
1987	15,036	4,654
1988 and beyond*	350,184	9,864

*Figures represent combined totals for all years.
**Net of debentures repurchased.

Average short-term debt, consisting of foreign bank loans and commercial paper, amounted to $113,900 and $125,800 during 1982 and 1981, respectively, with corresponding weighted average interest rates of 24.8% and 18.9%. Maximum month-end short-term debt was $129,000 and $163,000 in 1982 and 1981, respectively. Commercial paper issued and redeemed during 1982 was sold on the open market in the U. S. through a money market dealer.

During 1982 the Company negotiated new credit agreements of $265,000 replacing $200,000 of previous agreements. The agreements, if used, should bear interest at approximately the prime rate and require a commitment fee on any unused credit. The agreements are available to support domestic commercial paper borrowing at commercial paper rates. Additional unused credit facilities totalling $33,000 at December 31, 1982 were available for use by foreign subsidiaries. Pursuant to these arrangements, the Company has agreed to maintain minimum cash balances aggregating approximately $5,000 with various commercial banks. These requirements are satisfied by balances maintained for normal business needs.

The Company has capitalized interest that related to the capital cost of acquiring certain fixed assets. The interest costs incurred and the amounts capitalized were $75,469 and $10,464 in 1982, $73,150 and $7,546 in 1981, and $68,183 and $10,618 in 1980.

4. Income Taxes

Comparative analyses of the provisions for income taxes follows:

	1982	1981	1980
Current			
Federal	$12,500	$(14,900)	$102,200
State and Local	8,400	5,400	18,450
Foreign	17,000	15,100	14,900
	37,900	5,600	135,550
Deferred			
Federal	44,400	62,700	(34,050)
State and Local	5,800	9,600	(5,100)
Foreign	900	1,600	(1,100)
	51,100	73,900	(40,250)
	$89,000	$ 79,500	$ 95,300

The deferred Federal tax provisions in 1982, 1981 and 1980 reflect accelerated write-offs of property and equipment costs, the Federal tax effects of which were $30,234, $28,100 and $16,100, respectively.

The current Federal tax provision in 1981 reflects the benefit of a $17,000 investment tax credit refund and includes $43,300 of tax benefits available from 1980. Such tax deductions relate to the 1980 redeployment program discussed in Note 11 and a 1980 gas transaction.

Reconciliations of the difference between the Federal statutory tax rates and consolidated effective book income tax rates are as follows:

	1982	1981	1980
Federal statutory tax rate	46.0%	46.0%	46.0%
State tax provision, net of federal benefit	3.0	3.4	2.9
Investment and energy tax credits	(7.2)	(8.7)	(4.3)
Foreign tax benefits	(3.9)	(1.6)	(2.3)
Capital gain benefit	(2.2)	(4.4)	(2.7)
Other–net	(0.8)	(1.5)	(0.3)
Effective book income tax rate	34.9%	33.2%	39.3%

The domestic and foreign components of income before income tax expense are as follows:

	1982	1981	1980
Domestic	$207,540	$206,743	$214,628
Foreign	47,315	32,696	28,157
	$254,855	$239,439	$242,785

Foreign income before income taxes differs from division operating income as shown on page 26 of this report because the International Division's operating income includes export operations and because operating income has not been reduced for interest expense.

5. Pension Plans

The charges to operations under the Company's United States and Canadian pension plans were $16,300 in 1982, $15,400 in 1981, and $18,800 in 1980. The following information is presented for the plans:

	January 1	
	1982	1981
Actuarial present value of accumulated plan benefits:		
Vested	$230,735	$216,205
Non vested	9,777	10,280
Total	$240,512	$226,485
Net assets available for benefits at estimated fair value	$241,925	$230,843
Assumed rate of return on plan assets	8¼%	8¼%

Effective July 1, 1982, the U.S. Pension Plan was amended to increase the benefit percentage for salaried employees for pre-1972 service from 1% to 1¼%, and to grant a lump sum payment to retirees and beneficiaries of employees who retired and were in receipt of their pension prior to 1980. Effective for 1981, the actuarial interest rate assumption was increased, reducing 1981 pension costs by $2,300.

Operations were charged approximately $6,000 in 1982, $5,300 in 1981 and $6,700 in 1980 primarily for payments to pension trusts on behalf of employees not covered by the Company's plans. Most domestic employees not covered by the Company's plans are covered by collectively bargained plans. The Company's collective bargaining agreements are generally effective for periods of from one to three years. Under federal pension law there would be continuing liability to these pension trusts if the Company ceased all or most participation in any such Trust, and under certain other specified conditions. The annual payment of such continuing liability would not normally exceed the annual amount currently being paid to such Trust. The amount of such liability would be determined should the Company withdraw from participation.

6. Shareholders' Equity

Each of the 24,589 shares of Preferred Stock—Series B, bears an annual cumulative dividend of $1.32, is convertible into 1.1 common shares, and is redeemable at the Company's option at $39.

At December 31, 1982, 27,048 shares were reserved for conversion of Preferred Stock—Series B. In addition, 583,606 shares were reserved for issuance upon conversion of the 6¾% and 5% Convertible Debentures discussed in Note 3.

Following is the information for common shares reserved for stock options:

	Common Shares Reserved For Stock Options	
	Shares	Price Range
January 1, 1982	777,569	$19.44-32.75
Grants	148,300	32.75
Exercises	(387,202)	19.44-32.75
Expirations or cancellations	(17,070)	19.44-32.75
December 31, 1982	521,597	19.44-32.75

Included with the shares reserved for unexercised options are 221,897 options with stock appreciation rights attached, which permit the holder the election in lieu of exercising the option, of receiving cash, shares, or a combination of cash and shares. During 1982, 117,267 stock appreciation rights were exercised with the holders receiving cash and stock.

At December 31, 1982 and 1981, 196,161 and 327,391 shares, respectively, were available for future grants.

7. Operations by Industry Segment

Information about the Company's industry segments and geographic areas of operation is provided on pages 29 and 30 of this Annual Report and is an integral part of these financial statements.

8. Supplemental Income Statement Information

Set forth below is a comparative summary of certain expense items:

	1982	1981	1980
Maintenance and repairs	$102,112	$105,388	$113,450
Depreciation, depletion and amortization	99,797	99,423	100,322
Advertising and promotion, including promotions of $150,916, $136,526 and $111,932, respectively	209,653	200,015	174,501
Research and development	19,567	19,921	18,902
Rent	26,255	29,789	28,088

9. Earnings Per Share

The average number of Common Shares and Equivalents entering into the calculation of primary and fully diluted earnings per share are as follows:

	1982	1981	1980
Common Shares	28,462,973	29,311,069	30,841,391
Convertible Preferred Series B	36,032	40,556	43,348
Stock options	31,198	15,201	4,481
Total for primary calculation	28,530,203	29,366,826	30,889,220
Convertible Debentures:			
6¾%	600,945	923,516	1,015,233
5%	555,560	775,125	800,517
Stock options	29,835	639	2,654
Total for fully diluted calculation	29,716,543	31,066,106	32,707,624

10. Quarterly Financial Data (Unaudited)

	1982 Quarters			
	First	Second	Third	Fourth
Net Sales	$928,269	$1,038,956	$1,058,060	$1,085,992
Gross Profit	168,558	205,161	236,602	242,237
Net Income	34,783	42,381	45,972	42,719
Per Share of Common Stock:				
Primary	1.20	1.49	1.62	1.50
Fully Diluted	1.15	1.43	1.57	1.47
Dividends*	.5125	.555	.555	.555
Market Price Range:				
High	32⅞	34¾	38⅞	52½
Low	26⅞	31⅞	29½	36¼

*Dividends on Preferred Stock — Series B were $.33 in each quarter during 1982.

	1981 Quarters			
	First	Second	Third	Fourth
Net Sales	$1,052,847	$1,208,610	$1,090,303	$1,063,414
Gross Profit	195,500	229,630	212,786	217,171
Net Income	32,184	40,176	45,188	42,391
Per Share of Common Stock:				
Primary	1.10	1.37	1.54	1.44
Fully Diluted	1.05	1.30	1.47	1.38
Dividends*	.475	.5125	.5125	.5125
Market Price Range:				
High	28⅝	30	30	29½
Low	25	26¼	26⅞	26¾

*Dividends on Preferred Stock — Series B were $.33 in each quarter during 1981.

11. Redeployment

The disposal phase of the Company's major restructuring program was completed in 1982. The program, which was announced on July 10, 1980, caused a net charge to income of $2,748 in 1980.

12. Supplemental Information for Changes in Financial Position

Beginning in 1982, the Consolidated Statements of Changes in Financial Position on page 33 have been prepared on a cash rather than a working capital basis. Prior year statements have been reclassified to conform with the 1982 presentation. The Company believes that presenting information reflecting the flow of funds on a cash basis is a more desirable method than similar information presented on a working capital basis and the new format provides the most useful portrayal of the financing and investing activities and the changes in financial position of the Company.

The following details the increases (decreases) in the components of working capital:

	Year Ended December 31		
	1982	1981	1980
Cash (including time and certificates of deposit)	$ (59)	$(133,316)	$ 160,049
Accounts receivable	2,567	(13,096)	9,160
Inventories	(1,645)	(105,100)	(36,056)
Other current assets	(26,201)	(3,617)	43,703
Debt payable within one year	(32,249)	24,171	(23,806)
Accounts and drafts payable	1,814	42,713	10,562
Income taxes	2,434	60,301	(54,429)
Other current liabilities	12,200	73,036	(106,038)
Increase (Decrease) in Working Capital	$(41,139)	$ (54,908)	$ 3,145

The following details the primary components of various lines of the Statement of Changes in Financial Position:

Division operating income as shown in the statement less other income and expenses not allocable to divisions and income taxes as depicted on page 26 constitutes the net income of the Company.

Other, net in 1981 and 1980 includes the effects of the redeployment program and a 1980 gas transaction.

Major divestitures were: for 1982, three Pepsi-Cola bottling franchises, Jean Patou, Inc., and a minority interest in a plant in Louisiana; for 1981, the Smith-Douglass retail fertilizer business, the packaging of natural cheeses for retail sale and the Alex Colman women's fashion line; and for 1980, the Florida phosphate properties, Mystik Tape, Molded Products, sugar refining operations and several dairy operations.

Major acquisitions during 1982 included the Du Pont line of car care products, Seyfert Foods, a snack foods company, Uniroyal Inc.'s share of the production facilities of Monochem Inc., and Sterling Plastics, a supplier of school and office supplies. Acquisitions for 1981 consisted of National Foods Products, Inc., a pasta operation, while 1980 acquisitions included the Southwest Snacks Division of the Acton Corporation and Superior Dairies Inc.

The reduction in debt, net for 1982, 1981, and 1980 includes primarily the reduction in long-term indebtedness of $86,821, $64,543, $59,725, respectively, and the net change in the short-term indebtedness.

BORDEN INC
277 PARK AVENUE • NEW YORK, N Y 10172

Report of Management

The management of Borden, Inc. is responsible for the preparation and the integrity of all information included in this report. The financial statements which necessarily include amounts based upon the judgments of management, have been prepared in accordance with generally accepted accounting principles appropriate in the circumstances, consistently applied.

The Company, in order to meet its responsibilities, has established and supports internal accounting control systems which are designed to provide reasonable assurance that assets are safeguarded, that transactions are executed in accordance with management's authorizations and that those transactions are properly recorded to permit the preparation of financial statements in accordance with generally accepted accounting principles. The Company's internal accounting control system is regularly reviewed for effectiveness, monitored by an internal audit department and implemented by well trained and qualified personnel. In addition, the Company has distributed to all key employees its policies for conducting business affairs lawfully and in an ethical manner.

Management recognizes that no internal accounting control system that properly weighs benefits against costs will preclude absolutely all errors and irregularities. It believes, however, that the Company's internal accounting control system provides reasonable assurance that any material errors and irregularities are prevented or would be detected and corrected within a timely period by employees in the normal course of performing their assigned duties.

The Board of Directors, through its Audit Committee consisting of non-employee directors, meets periodically with management, the Company's internal auditors and its independent accountants to discuss audit and financial reporting matters. Both the independent accountants and the Company's internal auditors have free access to the Audit Committee and Board of Directors, without management present, to discuss internal accounting control, auditing, and financial reporting matters.

Eugene J. Sullivan
Chairman and Chief Executive Officer

Lawrence O. Doza
Vice President and General Controller

Report of Independent Accountants

Price Waterhouse

180 EAST BROAD STREET, COLUMBUS OHIO 43215 614 221-8500

January 25, 1983

Board of Directors and
Shareholders of Borden, Inc.

In our opinion, the accompanying consolidated balance sheets and the related consolidated statements of income, shareholders' equity and changes in financial position present fairly the financial position of Borden, Inc. and its subsidiaries at December 31, 1982 and 1981, the results of their operations and the changes in financial position for each of the three years in the period ended December 31, 1982, in conformity with generally accepted accounting principles consistently applied. Our examinations of these statements were made in accordance with generally accepted auditing standards and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

Price Waterhouse

Supplemental Financial Data Adjusted for the Effects of Changing Prices (Unaudited)

Introduction

In recent years inflation has become an increasingly significant factor in the economic life of the United States. Generally, the Company has been able to compensate for cost increases by increasing sales prices in an amount sufficient to maintain an approximately constant gross profit percentage. Customary financial statements have been stated at historical or actual costs and have not attempted to disclose the effect of inflation. In an effort to produce financial information that discloses the effects of inflation the Financial Accounting Standards Board (FASB) has issued Statement No. 33, Financial Reporting and Changing Prices, requiring companies to explain the effect of inflationary factors on operations using the current cost method.

The current cost method adjusts certain elements of the basic historical financial statements for price changes of specific assets. Current cost identifies certain assets or expenses with the use or sale of products in terms of what their current cost would have been when they were used or sold rather than what their historical cost actually was. Generally, Borden's inventories, plants, and equipment would cost more to replace than when they were originally acquired. This concept is specifically applied to each business's methods of operation, products, and types and locations of assets, but it unrealistically assumes that the same types of property, plant, and equipment would be purchased.

This method of reporting inflationary effects requires the use of assumptions, approximations and estimates. Inflation adjustments will vary among companies because of different effects of inflation as well as different methods of accounting used in the historical financial statements. This inflation adjusted data is, therefore, not a precise indicator of inflationary effects primarily because the method utilized does not necessarily provide actual amounts for which assets could be sold, cost which would be incurred in the future, or the manner in which actual replacement of assets would occur.

Supplementary information on the current cost basis is shown below:

Statement of Income from Continuing Operations Adjusted for Changing Prices

(In thousands except per share data)

	Year Ended December 31, 1982	
	As Reported in the Primary Statements	Adjusted for Changes in Specific Prices (Current Costs)
Net sales	$4,111,277	$4,111,277
Cost of goods sold (excluding related depreciation expense)	3,181,295	3,186,316
Other operating expense (excluding related depreciation expense)	510,325	510,325
Depreciation expense	99,797	171,620
Interest expense	65,005	65,005
Earnings before income taxes	254,855	178,011
Income taxes	89,000	89,000
Net income	$ 165,855	$ 89,011
Gain on net monetary items		21,869
Earnings, net of inflationary effects		$ 110,880
Increase in current cost of inventories and property and equipment excluding translation adjustment*		$ 151,758
Less effect of increase in general price level before translation adjustment		107,913
Excess of increase in specific prices over increase in the general price level		$ 43,845
Net income per common share	$ 5.81	$ 3.12
Gain on net monetary items		.77
Earnings, net of inflationary effects		$ 3.89
Effective tax rate	34.9%	50.0%

**At December 31, 1982 the current cost on inventory was $409,585 and the current cost of net property and equipment was $2,132,859.*

Discussion and Analysis of Supplemental Financial Data

Net income derived under the current cost method has been adjusted only for depreciation expense and product costs related to restated property and equipment and inventories. The increased depreciation expense under this method is a result of the adjustment required to reflect the impact of inflation on assets which have relatively long lives. The increased values of current cost of goods sold over historic cost of goods sold is a result, primarily, of the increasing costs of raw materials and labor. Sales and all other costs and expense remain unchanged from the primary statements since they are considered to occur relatively evenly throughout the year. In accordance with the FASB statement, income tax expense has not been restated in the inflation-adjusted earnings statement despite the significant reduction in pre-tax earnings. If the higher depreciation and other costs had actually been incurred, the company would have reported added tax deductions and tax credits, such as investment tax credit, which would significantly increase inflation adjusted net income.

Current cost amounts were determined by adjusting inventories and cost of goods sold to year-end and time of sale market values of raw materials and current production costs using average and standard costing, and indexing methods. Property and equipment was adjusted to current cost primarily by applying indices developed both internally and externally. Depreciation was calculated using the same methods and depreciable life assumptions as those used in the primary financial statements. Land values were estimated by reference to current market values and appraisals.

The gain from decline in the purchasing power of net amounts owed is determined by calculating the net monetary assets or liabilities at the beginning and end of the year, stating these amounts in average 1982 dollars and deriving the change therefrom. Monetary assets and liabilities are cash, and claims on, or liabilities for, cash receipts or payments, the amounts of which are fixed in terms of the number of dollars to be received or paid. The net monetary gain shown in the preceding supplemental statement results from Borden's net monetary liability position which will be repaid with dollars which have lost purchasing power relative to the point when the liabilities were incurred.

The data presented in the five-year summary has been adjusted for the effects of specific price changes in the same manner as for 1982 information. All amounts in the summary are stated in estimated average-for-the-year 1982 dollars as measured by the Consumer Price Index for All Urban Consumers. Certain data has been omitted for 1978 since it was not practicable to collect. As is apparent in comparing data from the primary statements to the same data on the current cost basis, real growth results only when the nominal rate of growth exceeds the rate of inflation.

Five-Year Comparison of Selected Supplementary Financial Data Adjusted for Effects of Changing Prices

(In thousands, except per share and average consumer price index)

	1982	1981	1980	1979	1978
Net sales	$4,111,277	$4,689,097	$5,387,210	$5,738,803	$5,629,889
Current Cost Information:					
Net income	89,011	57,703	40,742	67,202	
Net income per common share	3.12	1.96	1.32	2.16	
Net assets	2,233,045	2,377,563	2,492,083	2,751,034	
Foreign currency translation adjustment	(88,132)	—	—	—	
Excess of increase in specific prices over the increase in the general price level	43,845	49,679	86,413	75,648	
Other Information:					
Purchasing power gain (loss) on net monetary items	21,869	48,068	86,475	98,889	
Cash dividends per common share	2.17¾	2.14	2.20	2.39	2.49
Market price per common share	46⅞	28¾	28⅞	30	36⅜
Average consumer price index	289.3	272.4	246.8	217.4	195.4

Borden, Inc.
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Telephone No. (212) 573-4000

180 East Broad Street
Columbus, Ohio 43215
Telephone No. (614) 225-4000

The Annual Meeting will be held on Friday, April 22, 1983, beginning at 11:00 a.m. in the Hunterdon Theatre, Church Street and Route 31, Flemington, New Jersey.

Price Waterhouse
180 East Broad Street
Columbus, Ohio 43215

Transfer Agent & Registrar
Dividend Disbursing Agent
Chemical Bank
55 Water Street
New York, New York 10041

4⅜% Sinking Fund Debentures
The Chase Manhattan Bank, N.A.
New York, New York 10081

5¾% Sinking Fund Debentures
Morgan Guaranty Trust Company of New York
New York, New York 10015

8½% Sinking Fund Debentures
Bank of America, N.T. & S.A.
San Francisco, California 94137

9⅜% Sinking Fund Debentures
The Bank of New York
New York, New York 10015

Common Stock (Ticker Symbol-BN)
New York Stock Exchange
The Common Stock is currently listed on exchanges in Basel, Geneva, Lausanne and Zurich, Switzerland.

New York Stock Exchange
4⅜% Sinking Fund Debentures, due 1991
5¾% Sinking Fund Debentures, due 1997
8½% Sinking Fund Debentures, due 2004
9⅜% Sinking Fund Debentures, due 2009

April 24, 1899-New Jersey

Borden, Inc. will furnish to any shareholder, without charge, a copy of its most recent annual report on Form 10-K, as filed with the United States Securities and Exchange Commission.

Borden, Inc.
Attn. Mr. R. G. Tritsch
Secretary
277 Park Avenue
New York, New York 10172

BORDEN

BORDEN, INC.
277 PARK AVENUE / NEW YORK, N Y 10172